

ENDESA, S.A.
and Subsidiaries

Consolidated Annual Financial Report
for the year ended 31 December 2020

This English-language version has been translated from the original issued in Spanish by the entity itself and under its sole responsibility, and is not considered official or regulated financial information.
In the event of discrepancy, the Spanish-language version prevails.

Audit Report
ENDESA, S.A.
and Subsidiaries
Consolidated Financial Statements and
Management Report
for the year ended 31 December 2020

(Translation from the original issued in Spanish. In the event of discrepancy, the Spanish-language version prevails)



Audit Report on Endesa, S.A. and subsidiaries

(Together with the consolidated annual accounts and consolidated directors' report of Endesa, S.A. and subsidiaries for the year ended 31 December 2020)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)



KPMG Auditores, S.L.
Paseo de la Castellana, 259C
28046 Madrid

Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Endesa, S.A

Opinion

We have audited the consolidated annual accounts of Endesa, S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated statement of financial position at 31 December 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Revenue recognition. Supplied energy not yet billed | |
|--|---|
| See notes 2.2, 3.ñ.1.b, 12 y 24 to the consolidated annual accounts | |
| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
| <p>The Group's businesses that carry out electricity supply activities must make estimates of unbilled supplies to end customers in the period between the last meter reading and the end of the fiscal year. At 31 December 2020, sales of electricity and gas as yet unbilled by the Group amounted to Euros 984 million and Euros 333 million, respectively.</p> <p>The quantity of unbilled energy supplied is estimated using internal and external information and is based on past data adjusted for factors such as seasonality. Revenue is calculated by multiplying the estimated quantity to be billed by the unit price arranged with each customer.</p> <p>Determining unbilled energy supplied requires the use of estimates by Group management with the application of criteria, judgements and assumptions in its calculations, so the recognition of revenue from unbilled energy supplied has been considered a key audit matter of the current year.</p> | <ul style="list-style-type: none"> – Analysis of the design and implementation of the key controls related to the calculation of the unbilled energy supplied. – Evaluation of the reasonableness of the calculation model used by comparing the estimates made at the close of the previous period and actual billing data (retrospective analysis). – Analysis of the reasonableness of the volume of unbilled energy through an analysis of historical information and other available internal and external data. – Examination of the reasonableness of the tariffs applied in the estimate. – Assessment of whether the disclosures in the consolidated annual accounts meet the requirements of the applicable financial reporting framework. |

| Provision for pensions and similar obligations and provisions for workforce restructuring plans | |
|---|--|
| See notes 3.k.1, 3.k.2, 16.1 and 16.2.2 to the consolidated annual accounts | |
| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
| <p>The Group has obligations to personnel in relation to pensions and other similar non-current provisions amounting to Euros 701 million. The variety of agreements requires an individual analysis of the agreed terms and the related accounting implications.</p> | <ul style="list-style-type: none"> – Assessment of the design, implementation and operating effectiveness of key controls linked to the process of provisions for pensions and similar obligations and provisions for workforce restructuring plans involving contract suspension agreements. |



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| Provision for pensions and similar obligations and provisions for workforce restructuring plans | |
|--|--|
| See notes 3.k.1, 3.k.2, 16.1 and 16.2.2 to the consolidated annual accounts | |
| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
| <p>Amendments derived from the entry into force of Endesa's V Framework Collective Bargaining Agreement in 2020 resulted in the modification of certain social benefits, specifically those relative to the electricity tariff of employees and former personnel, with the replacement of the commitment in the prior Framework Collective Bargaining Agreement with a new one. The impact on the consolidated income statement has been income of Euros 515 million, and a positive Euros 10 million on the consolidated statement of comprehensive income.</p> <p>At 31 December 2020, provisions for workforce restructuring plans involving contract suspension agreements amount to Euros 971 million.</p> <p>During the year, the recognised an expense of Euros 759 million in the consolidated statement of comprehensive income for the total cost of the commitments acquired with employees or their trade union representatives, in which the Group will not request they return to the company. These agreements were made within the context of the voluntary redundancy plans associated with the Decarbonisation Plan, Digitalisation of Processes and Endesa's V Framework Collective Bargaining Agreement.</p> <p>Assessing the impacts of Endesa's V Framework Collective Bargaining Agreement and their accounting treatment, as well as the voluntary redundancy plans, requires the application of judgements and assumptions, and we have therefore deemed it to be a key audit matter.</p> | <ul style="list-style-type: none"> – Assessment of the design, implementation and operating effectiveness of key controls linked to the process of provisions for pensions and similar obligations and provisions for workforce restructuring plans involving contract suspension agreements. – Reading and understanding of the V Framework Collective Bargaining Agreement and other commitments assumed with personnel. – Evaluation of the completeness and accuracy of the databases used for the beneficiaries of the different commitments. – Involvement of our actuarial specialists to analyse the reasonableness of the calculation method and main actuarial assumptions applied by the Group. – Procurement and understanding of the actuarial reports prepared by independent experts. – Procurement of written confirmation of the competence and objectivity of the independent experts and evaluation of their experience, technical capacity and accreditations. – Assessment of whether the disclosures in the consolidated annual accounts meet the requirements of the applicable financial reporting framework. |



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| Impairment of property, plant and equipment | |
|---|--|
| See notes 3.e and 6.4 to the consolidated annual accounts | |
| <i>Key audit matter</i> | <i>How the matter was addressed in our audit</i> |
| <p>At 31 December 2020, the Group has recognised property, plant and equipment amounting to Euros 21,354 million allocated to the different cash-generating units (CGUs) detailed in note 3.e.1. At each reporting date, the Group estimates the recoverable amount of property, plant and equipment allocated to CGUs for which there are indications of impairment, which at 31 December 2020 are the Iberian Peninsula Generation CGU and the CGUs of each of the Non-Peninsular Territories (Balearic Islands, Canary Islands, Ceuta and Melilla).</p> <p>Recoverable amount is the higher of value in use and fair value less costs to sell. Value in use is calculated using the discounted cash flow method.</p> <p>As a result of these estimates, at 31 December 2020 the Group has recognised impairment of Euros 338 million for the assets of the non-peninsular territories of the Balearic Islands, the Canary Islands, Ceuta and Melilla.</p> <p>To estimate the recoverable amount of the CGUs, the Company uses valuation techniques that require management to exercise judgement and make assumptions and estimates. Due to the judgement required and uncertainty associated with these estimates, this has been considered a key audit matter.</p> | <ul style="list-style-type: none">– Analysis of the design and implementation of the key controls related to the determination of the recoverable amount.– Analysis of the indications, identified by the Group, of impairment of the cash-generating units.– Assessment of the appropriateness of the composition of the CGUs with reference to our understanding of the business.– Analysis of the consistency of the future cash flows included in the valuation model with the business plans approved by the governing bodies.– Evaluation of the reasonableness of the methodology used to calculate value in use and the main assumptions considered, with the involvement of our valuation specialists.– Evaluation of the sensitivity of the recoverable amounts of the significant CGUs to changes in certain assumptions that can be considered reasonable.– Assessment of whether the disclosures in the consolidated annual accounts meet the requirements of the applicable financial reporting framework. |

Other Matters

On 24 February 2020 other auditors issued their unqualified audit report on the consolidated annual accounts for 2019.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2020 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.



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Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility regarding the information contained in the consolidated directors' report is defined in the legislation regulating the audit of accounts, as follows:

- a) Determine, solely, whether the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.
- b) Assess and report on the consistency of the rest of the information included in the consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned consolidated annual accounts. Also, assess and report on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2020, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's Audit and Compliance Committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.



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Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.
- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the management, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's Audit and Compliance Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's Audit and Compliance Committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and we have informed them of all matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.



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From the matters communicated to the Parent's Audit and Compliance Committee, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital files of Endesa, S.A. and its subsidiaries for 2020 in European Single Electronic Format (ESEF), which comprise the XHTML file that includes the consolidated annual accounts for the aforementioned year and the XBRL files tagged by the Parent, which will form part of the annual financial report.

The Directors of Endesa, S.A. are responsible for the presentation of the 2020 annual financial report in accordance with the format requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation").

Our responsibility consists of examining the digital files prepared by the Directors of the Parent, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the consolidated annual accounts included in the aforementioned digital files fully corresponds to the consolidated annual accounts we have audited, and whether the consolidated annual accounts and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital files examined fully correspond to the audited consolidated annual accounts, and these are presented and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's Audit and Compliance Committee dated 22 February 2021.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 12 April 2019 for a period of three years, from the year ended 31 December 2020.

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Estibaliz Bilbao Belda
On the Spanish Official Register of
Auditors ("ROAC") with No. 16109

23 February 2021

ENDESA, S.A.
and Subsidiaries

**Consolidated Financial Statements for the year
ended 31 December 2020**

(Translation from the original issued in Spanish. In the event of discrepancy, the Spanish-language version prevails)

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ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2020 AND 2019

Millions of euros

| | Notes | 31 December 2020 | 31 December 2019 |
|--|--------|------------------|------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | 25,828 | 25,881 |
| Property, plant and equipment | 6 | 21,354 | 21,329 |
| Investment Property | 7 | 58 | 61 |
| Intangible assets | 8 | 1,399 | 1,375 |
| Goodwill | 9 | 462 | 462 |
| Investments accounted for using the equity method | 10.1 | 217 | 232 |
| Non-current Financial Assets | 18 | 947 | 908 |
| Deferred tax assets | 21.1 | 1,391 | 1,514 |
| CURRENT ASSETS | | 6,234 | 6,100 |
| Inventories | 11 | 1,077 | 1,177 |
| Trade and other receivables | 12 | 3,577 | 3,485 |
| Customers for Sales & Services and other Debtors | | 3,151 | 3,194 |
| Current income tax assets | | 426 | 291 |
| Current financial assets | 18.1.1 | 1,177 | 1,215 |
| Cash and Cash Equivalents | 13 | 403 | 223 |
| Non-current assets held for sale and discontinued operations | | - | - |
| TOTAL ASSETS | | 32,062 | 31,981 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | 7,465 | 7,837 |
| Of the Parent | 14.1 | 7,315 | 7,688 |
| Share capital | | 1,271 | 1,271 |
| Share premium and reserves | | 5,467 | 6,928 |
| (Treasury shares) | | (2) | - |
| Profit/(loss) for the period attributable to the Parent | | 1,394 | 171 |
| Interim dividend | | (741) | (741) |
| Valuation adjustments | | (74) | 59 |
| Of Non-Controlling Interests | 14.2 | 150 | 149 |
| NON-CURRENT LIABILITIES | | 16,042 | 15,679 |
| Deferred income | 15 | 4,517 | 4,576 |
| Non-current provisions | 16 | 3,704 | 3,686 |
| Provisions for Pensions and other Similar Obligations | 16.1 | 701 | 1,148 |
| Other non-current provisions | | 3,003 | 2,538 |
| Non-current Financial Debt | 17 | 5,937 | 5,652 |
| Other non-current Liabilities | 20 | 831 | 678 |
| Deferred tax liabilities | 21.2 | 1,053 | 1,087 |
| CURRENT LIABILITIES | | 8,555 | 8,465 |
| Current Financial Debt | 17 | 1,372 | 955 |
| Current provisions | 23 | 477 | 576 |
| Provisions for Pensions and other Similar Obligations | | - | - |
| Other current provisions | | 477 | 576 |
| Trade Payables and Other Current Liabilities | 22 | 6,706 | 6,934 |
| Suppliers and other payables | | 6,194 | 6,549 |
| Current income tax liabilities | | 512 | 385 |
| Liabilities associated with non-current assets classified as held for sale and discontinued operations | | - | - |
| TOTAL EQUITY AND LIABILITIES | | 32,062 | 31,981 |

The accompanying notes 1 to 41 to the Consolidated Financial Statements form an integral part of the Consolidated Statements of Financial Position at 31 December 2020 and 2019.

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ENDESA, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

Millions of euros

| | Notes | 2020 | 2019 |
|---|---------------|-----------------|-----------------|
| INCOME | 24 | 17,579 | 20,158 |
| Sales | 24.1 | 16,644 | 19,258 |
| Other Operating Income | 24.2 | 935 | 900 |
| PROCUREMENTS AND SERVICES | | (11,573) | (14,252) |
| Energy Purchases | 25.1 | (3,631) | (4,904) |
| Fuel Consumption | 25.2 | (1,100) | (1,780) |
| Transmission Expenses | | (5,000) | (5,302) |
| Other Variable Procurements and Services | 25.3 | (1,842) | (2,266) |
| CONTRIBUTION MARGIN | | 6,006 | 5,906 |
| Self-constructed Assets | 3a.1 and 3d.3 | 275 | 295 |
| Personnel Expenses | 26 | (1,147) | (1,022) |
| Other Fixed Operating Expenses | 27 | (1,351) | (1,338) |
| GROSS OPERATING PROFIT (EBITDA) | | 3,783 | 3,841 |
| Depreciation, Amortisation and Impairment Losses | 28 | (1,897) | (3,453) |
| OPERATING PROFIT (EBIT) | | 1,886 | 388 |
| NET FINANCE INCOME/(EXPENSE) | 29 | (134) | (184) |
| Finance Income | | 28 | 27 |
| Finance Expense | | (174) | (212) |
| Net Exchange Differences | | 12 | 1 |
| Net Profit/(Loss) of Companies accounted for using the Equity Method | 10.1 | 34 | 15 |
| Gains/(losses) on other Investments | | - | - |
| Net gains/(losses) on Disposal of Assets | 30 | 2 | 11 |
| PROFIT/(LOSS) BEFORE TAX | | 1,788 | 230 |
| Corporate Income Tax | 31 | (388) | (50) |
| PROFIT AFTER TAX FROM CONTINUING OPERATIONS | | 1,400 | 180 |
| PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS | | - | - |
| PROFIT/(LOSS) FOR THE YEAR | | 1,400 | 180 |
| Parent Company | | 1,394 | 171 |
| Non-controlling Interests | 14.2 | 6 | 9 |
| BASIC EARNINGS PER SHARE FROM CONTINUING OPERATIONS (in Euros) | 14.1.8 | 1.32 | 0.16 |
| DILUTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS (in Euros) | 14.1.8 | 1.32 | 0.16 |
| BASIC EARNINGS PER SHARE FROM DISCONTINUED OPERATIONS (in Euros) | | - | - |
| DILUTED EARNINGS PER SHARE FROM DISCONTINUED OPERATIONS (in Euros) | | - | - |
| BASIC EARNINGS PER SHARE (in Euros) | 14.1.8 | 1.32 | 0.16 |
| DILUTED EARNINGS PER SHARE (in Euros) | 14.1.8 | 1.32 | 0.16 |

The accompanying notes 1 to 41 to the Consolidated Financial Statements form an integral part of the Consolidated Income Statements for the years ended 31 December 2020 and 2019.

(Translation from the original issued in Spanish. In the event of discrepancy, the Spanish-language version prevails)

ENDESA, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

Millions of euros

| | Notes | 2020 | | | 2019 | | |
|--|------------------------|---------------|------------------------------|--------------|---------------|------------------------------|--------------|
| | | Of the Parent | Of Non-Controlling Interests | Total | Of the Parent | Of Non-Controlling Interests | Total |
| CONSOLIDATED PROFIT FOR THE YEAR | | 1,394 | 6 | 1,400 | 171 | 9 | 180 |
| OTHER COMPREHENSIVE INCOME: | | | | | | | |
| INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY | | (385) | - | (385) | (37) | - | (37) |
| Items that may be Reclassified to Profit or Loss: | | (315) | - | (315) | 98 | - | 98 |
| Cash flow hedges | 14.1.6 and 14.1.11 | (431) | - | (431) | 135 | - | 135 |
| Translation differences | 14.1.11 | - | - | - | - | - | - |
| Companies accounted for using the equity method | 14.1.6 and 14.1.11 | - | - | - | (2) | - | (2) |
| Other income and expense recognised directly in equity | | - | - | - | - | - | - |
| Tax effect | 14.1.6, 14.1.11 and 31 | 116 | - | 116 | (35) | - | (35) |
| Items that cannot be reclassified to Profit and Loss: | | (70) | - | (70) | (135) | - | (135) |
| Revaluation/(reversal of revaluation) of property, plant and equipment and intangible assets | | - | - | - | - | - | - |
| From measurement of financial instruments | | - | - | - | - | - | - |
| Financial assets at Fair Value | | - | - | - | - | - | - |
| Other income/(expense) | | - | - | - | - | - | - |
| From Actuarial Gains and Losses and other Adjustments | 14.1.11 and 16.1 | (86) | - | (86) | (169) | - | (169) |
| Tax effect | 14.1.11 & 31 | 16 | - | 16 | 34 | - | 34 |
| AMOUNTS TRANSFERRED TO PROFIT & LOSS AND/OR INVESTMENTS | 14.1.6 | 182 | - | 182 | 28 | - | 28 |
| Cash flow hedges | 14.1.11 | 238 | - | 238 | 36 | - | 36 |
| Translation differences | | - | - | - | - | - | - |
| Companies accounted for using the equity method | 14.1.11 | - | - | - | - | - | - |
| Other income and expense recognised directly in equity | | - | - | - | - | - | - |
| Tax effect | 14.1.11 & 31 | (56) | - | (56) | (8) | - | (8) |
| TOTAL COMPREHENSIVE INCOME | | 1,191 | 6 | 1,197 | 162 | 9 | 171 |

The accompanying Notes 1 to 41 to the Consolidated Financial Statements form an integral part of the Consolidated Statements of Comprehensive Income for the years ended 31 December 2020 and 2019

(Translation from the original issued in Spanish. In the event of discrepancy, the Spanish-language version prevails)

ENDESA, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

Millions of euros

| | Equity attributable to owners of the Parent (Note 14.1) | | | | | | | Non-Controlling Interests (Note 14.2) | Total Equity |
|---|---|----------------------|--|-----------------|----------------------------|--------------------------|-----------------------|--|--------------|
| | Notes | Capital and reserves | | | | | Valuation adjustments | | |
| | | Share capital | Share premium, reserves and interim dividend | Treasury shares | Profit/(loss) for the year | Other equity instruments | | | |
| Balance at 1 January 2020 | | 1,271 | 6,187 | - | 171 | - | 59 | 149 | 7,837 |
| Adjustments due to changes in accounting policies | | - | - | - | - | - | - | - | - |
| Corrections of errors | | - | - | - | - | - | - | - | - |
| Adjusted opening balance | | 1,271 | 6,187 | - | 171 | - | 59 | 149 | 7,837 |
| Total comprehensive income | | - | (70) | - | 1,394 | - | (133) | 6 | 1,197 |
| Transactions with shareholders or owners | | - | (1,562) | (2) | - | - | - | (5) | (1,569) |
| Capital Increases/(reductions) | | - | - | - | - | - | - | 3 | 3 |
| Conversion of liabilities into equity | | - | - | - | - | - | - | - | - |
| Dividends paid | 14.1.10 | - | (1,562) | - | - | - | - | (8) | (1,570) |
| Transactions with treasury shares (net) | 14.1.8 | - | - | (2) | - | - | - | - | (2) |
| Increases/(reductions) due to business combinations | | - | - | - | - | - | - | - | - |
| Other transactions with shareholders or owners | | - | - | - | - | - | - | - | - |
| Other changes in equity | | - | 171 | - | (171) | - | - | - | - |
| Share-based payments | | - | - | - | - | - | - | - | - |
| Transfers between equity items | | - | 171 | - | (171) | - | - | - | - |
| Other changes | | - | - | - | - | - | - | - | - |
| Balance at 31 December 2020 | | 1,271 | 4,726 | (2) | 1,394 | - | (74) | 150 | 7,465 |

The accompanying notes 1 to 41 to the Consolidated Financial Statements form an integral part of the Consolidated Statement of Changes in Equity for the year ended 31 December 2020.

(Translation from the original issued in Spanish. In the event of discrepancy, the Spanish-language version prevails)

ENDESA, S.A. AND SUBSIDIARIES
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

Millions of euros

| Notes | Equity attributable to owners of the Parent (Note 14.1) | | | | | Valuation adjustments | Non-Controlling Interests (Note 14.2) | Total Equity |
|---|---|--|-----------------|----------------------------|--------------------------|-----------------------|---------------------------------------|--------------|
| | Capital and reserves | | | | | | | |
| | Share capital | Share premium, reserves and interim dividend | Treasury shares | Profit/(loss) for the year | Other equity instruments | | | |
| Balance at 1 January 2019 | 1,271 | 6,416 | - | 1,417 | - | (67) | 144 | 9,181 |
| Adjustments due to changes in accounting policies | - | - | - | - | - | - | - | - |
| Corrections of errors | - | - | - | - | - | - | - | - |
| Adjusted opening balance | 1,271 | 6,416 | - | 1,417 | - | (67) | 144 | 9,181 |
| Total comprehensive income | - | (135) | - | 171 | - | 126 | 9 | 171 |
| Transactions with shareholders or owners | - | (1,511) | - | - | - | - | (4) | (1,515) |
| Capital Increases/(reductions) | - | - | - | - | - | - | - | - |
| Conversion of liabilities into equity | - | - | - | - | - | - | - | - |
| Dividends paid | 14.1.10 | (1,511) | - | - | - | - | (14) | (1,525) |
| Transactions with treasury shares (net) | - | - | - | - | - | - | - | - |
| Increases/(reductions) due to business combinations | - | - | - | - | - | - | - | - |
| Other transactions with shareholders or owners | 14.2 and 32.3 | - | - | - | - | - | 10 | 10 |
| Other changes in equity | - | 1,417 | - | (1,417) | - | - | - | - |
| Share-based payments | - | - | - | - | - | - | - | - |
| Transfers between equity items | - | 1,417 | - | (1,417) | - | - | - | - |
| Other changes | - | - | - | - | - | - | - | - |
| Balance at 31 December 2019 | 1,271 | 6,187 | - | 171 | - | 59 | 149 | 7,837 |

The accompanying notes 1 to 41 to the Consolidated Financial Statements form an integral part of the Consolidated Statement of Changes in Equity for the year ended 31 December 2019.

(Translation from the original issued in Spanish. In the event of discrepancy, the Spanish-language version prevails)

ENDESA, S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2020
AND 2019

Millions of euros

| | Notes | 2020 | 2019 |
|--|---------------------------|----------------|----------------|
| Gross Profit Before Taxes and Non-Controlling Interests | | 1,788 | 230 |
| Adjustments for: | | 2,153 | 3,981 |
| Depreciation and amortisation and impairment losses | 28 | 1,897 | 3,453 |
| Other adjustments (net) | | 256 | 528 |
| Changes in working capital: | 32.1 | (413) | (230) |
| Trade and other receivables | | 31 | (157) |
| Inventories | | (225) | (296) |
| Current financial assets | | 28 | (85) |
| Trade Payables and Other Current Liabilities | | (247) | 308 |
| Other cash flows from/(used in) operating activities: | 32.1 | (577) | (800) |
| Interest received | | 34 | 27 |
| Dividends received | | 28 | 26 |
| Interest paid | | (152) | (136) |
| Corporation tax paid | | (229) | (440) |
| Other receipts and payments in respect of operating activities | | (258) | (277) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 32 | 2,951 | 3,181 |
| Acquisition of Property, Plant and Equipment and Intangible Assets | 32.2 | (1,704) | (1,821) |
| Proceeds from sales of property, plant and equipment and intangible assets | 32.2 | 49 | 94 |
| Equity investments in Group Companies | 32.2 | (17) | (37) |
| Disposals of investments in Group Companies | 32.2 | 21 | - |
| Purchase of other investments | | (269) | (352) |
| Proceeds from disposals of other investments | | 88 | 28 |
| Cash flows from changes in the scope of consolidation | | - | - |
| Grants and other deferred income | 32.2 | 106 | 137 |
| NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES | 32 | (1,726) | (1,951) |
| Cash Flows from equity instruments | 14.2 and 32.3 | 4 | 10 |
| Drawdowns of Non-Current Financial Debt | 17.1 and 32.3 | 843 | 670 |
| Repayment of non-current borrowings | 17.1 and 32.3 | (575) | (197) |
| Net cash flows used in current borrowings | 17.1 and 32.3 | 255 | (214) |
| Dividends of the Parent paid | 14.1.10, 14.1.12 and 32.3 | (1,562) | (1,511) |
| Dividends paid to non-controlling interests | 14.2 and 32.3 | (10) | (9) |
| NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES | 32 | (1,045) | (1,251) |
| TOTAL NET CASH FLOWS | | 180 | (21) |
| Effect of exchange rate fluctuations on cash and cash equivalents | | - | - |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 180 | (21) |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | 13 | 223 | 244 |
| Cash in hand and at banks | | 223 | 244 |
| Other Cash Equivalents | | - | - |
| CASH AND CASH EQUIVALENTS AT YEAR-END | 13 | 403 | 223 |
| Cash in hand and at banks | | 403 | 223 |
| Other Cash Equivalents | | - | - |

The accompanying notes 1 to 41 to the Consolidated Financial Statements form an integral part of the Consolidated Statements of Cash Flows for the years ended 31 December 2020 and 2019.

ENDESA, S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER
2020.

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ENDESA, S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020

1. Group activity and financial statements

ENDESA, S.A. (hereinafter, “the Parent” or the “Company”) and its subsidiaries make up the ENDESA Group (hereinafter, “ENDESA”). The Company’s registered and head offices are at Calle Ribera del Loira, 60, Madrid.

The Company was incorporated with limited liability under Spanish law in 1944 under the name Empresa Nacional de Electricidad, S.A. and changed its name to ENDESA, S.A. pursuant to a resolution adopted by the shareholders at the General Shareholders’ Meeting on 25 June 1997. Since that date there has been no subsequent change in its corporate name.

Its corporate object is the electricity business in its various industrial and commercial areas; the exploitation of primary energy resources of all types; the provision of industrial services, particularly in the areas of telecommunications, water and gas and those preparatory or supplementary to the Group’s corporate object, and the management of the corporate Group, comprising investments in other companies. ENDESA carries out the activities forming its corporate object, either directly or through its equity holdings in other companies, at the national and international level, mainly in Spain and Portugal, as well as through branches in several other European countries.

ENDESA’s Consolidated Financial Statements for the year ended 31 December 2019 were approved by the shareholders at the General Shareholders’ Meeting held on 5 May 2020 and filed with the Madrid Trade & Companies Register.

ENDESA’s Consolidated Financial Statements for the year ended 31 December 2020, and the financial statements of all the companies integrated in ENDESA, for the year 2020, which were used in the preparation of these Consolidated Financial Statements, are mostly pending approval by their respective general shareholders’ meetings. However, the Directors of the Parent Company consider that these Financial Statements will be approved as presented without modification.

The presentation currency of the Parent is the Euro and the figures shown herein (unless stated otherwise) are in millions of euros.

The Company forms part of the ENEL Group, the Parent of which is ENEL, S.p.A., which is governed by Italian law. Its registered office is at Viale Regina Margherita, 137, Rome, Italy. In Spain, the ENEL Group is headed by ENEL Iberia, S.L.U., with its registered office at Calle Ribera del Loira, 60, Madrid. The ENEL Group, through ENEL Iberia, S.L.U., controls 70.1% of ENDESA, S.A.’s share capital (see Notes 14.1.1 and 14.1.8).

The ENEL Group’s Consolidated Financial Statements for the year ended 31 December 2019 were approved by the General Shareholders’ Meeting held on 14 May 2020 and filed with the Rome and Madrid Trade & Companies Registers.

2. Basis of preparation of the Consolidated Financial Statements

2.1. Accounting principles

ENDESA’s Consolidated Financial Statements for the year ended 31 December 2020, which were formulated for issue by the Directors of the Parent Company at a Board meeting held on 23 February 2021, were prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee (IFRIC) as adopted by the European Union at the date of the Consolidated

Statement of Financial Position in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council and other regulations regarding financial reporting applicable to ENDESA.

These Consolidated Financial Statements present fairly the equity and financial position of ENDESA at 31 December 2020, as well as the consolidated comprehensive result of its operations, changes in consolidated equity and consolidated cash flows for the year then ended.

The Consolidated Financial Statements have been prepared following the same Accounting Policies, Basis of Presentation and Valuation Rules as those applied to the Consolidated Financial Statements for the year ended 31 December 2019, with the exception of the new International Financial Reporting Standards (IFRS) and Interpretations of the IFRS Interpretations Committee (IFRIC) published in the Official Journal of the European Union and first applied by ENDESA in the Consolidated Financial Statements for the year ended 31 December 2020 (see Note 2.1.a), and in accordance with the going concern principle by applying the cost method, with the exception of items that, in accordance with IFRS, are measured at fair value, as indicated in the Valuation Rules for each item. Items in the Consolidated Income Statement are classified by types of costs.

In the current context, the activities relating to the supply of electricity which ENDESA companies carry out have been confirmed as essential activities and are carried out under specific frameworks. For this reason, ENDESA has continued carrying out its activities, including the period during which the State of alert was in force, without any events having occurred that might affect the going concern principle. Up to the date of approval of these Consolidated Financial Statements, ENDESA has continued to provide its services without any particular problems other than those existing prior to the emergence of COVID-19 and, although it has had to adapt some processes to the circumstances deriving from the health crisis, its ability to provide services has not been significantly compromised (see Notes 2.2.1 and 38).

ENDESA's Consolidated Financial Statements for the years ended 31 December 2020 and 2019 have been prepared from the accounting records of the Company and those of the other companies forming the ENDESA Group.

Each subsidiary prepares its financial statements in accordance with the accounting policies and standards in force in the country in which it operates, so in the process of consolidation the necessary adjustments and reclassifications are made to bring these policies and standards into line with one another and with IFRS and IFRIC interpretations.

At the date of formulation for issue of these Consolidated Financial Statements, the following changes in accounting policies had occurred:

a) Standards and interpretations approved by the European Union applied for the first time in the Consolidated Financial Statements for the year ended 31 December 2020.

| Standards, Amendments to Standards and Interpretations | Mandatory Application: Financial Years Starting on or |
|---|--|
| Improvements to the references in the conceptual framework of the International Financial Reporting Standards. | 1 January 2020 |
| Definition of Material - Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. | 1 January 2020 |
| Amendments to IFRS 3 Business Combinations. | 1 January 2020 |
| Reform of the Reference Interest Rate - Amendments to IFRS 9 Financial Instruments", IAS 39 Financial Instruments: Recognition and Valuation and IFRS 7 Financial Instruments: Disclosures. | 1 January 2020 |
| Amendment to IFRS 16 Leases - Rent Reductions Related to COVID-19. | 1 June 2020 |

The application of these improvements, amendments and reform have not had a material effect on the Consolidated Financial Statements for the year ended 31 December 2020, although the definition of business included in the amendments to IFRS 3 "Business Combinations" has been considered in the corporate acquisitions carried out in 2020 (see Notes 2.3.1 and 5).

b) Standards and interpretations approved by the European Union to be applied for the first time in 2021.

| Standards, Amendments to Standards and Interpretations | Mandatory Application: Financial Years Starting on or |
|---|--|
| Amendments to IFRS 4 Insurance Contracts - Extension of Temporary Exemption from Applying IFRS 9 Financial Instruments. | 1 January 2021 |
| Reform of the Reference Interest Rate - Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Valuation and IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases. | 1 January 2021 |

ENDESA's management is assessing the impact of the application of these improvements, amendments and interpretations, and had not concluded this analysis at the date of approval of these Consolidated Financial Statements.

c) Standards and interpretations issued by the International Accounting Standards Board (IASB) pending approval by the European Union.

The International Accounting Standards Board (IASB) has approved the following IFRS which could affect ENDESA and which at the date of preparation of these Consolidated Financial Statements had yet to be adopted by the European Union:

| Standards, Amendments to Standards and Interpretations | Mandatory Application: ⁽¹⁾ Financial Years Starting on or after |
|--|--|
| Amendments to IAS 1 Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current and Classification of Liabilities as Current or Non-Current — Deferral of the Effective Date. | 1 January 2023 |
| Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies. | 1 January 2023 |
| Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates. | 1 January 2023 |
| Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements to IFRS 2018-2020. | 1 January 2022 |
| IFRS 17 Insurance Contracts" including Amendments. | 1 January 2023 |
| Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. | Indefinitely postponed |

(1) If adopted without changes by the European Union.

At the date of formulation for issue of these Consolidated Financial Statements, ENDESA's management was assessing the impact that the application of these standards would have on ENDESA's Consolidated Financial Statements if they were finally adopted by the European Union.

2.2. Responsibility for information and estimates.

The information contained in these Consolidated Financial Statements, which were formulated at the Board of Directors' Meeting held on 23 February 2021, is the responsibility of the Directors of the Parent Company, who expressly declare that all IFRS principles and criteria have been applied.

In preparing these Consolidated Financial Statements, use was made of certain estimates made by ENDESA's Management to measure some of the assets, liabilities, income and expense items and commitments shown in them. These estimates were essentially as follows:

- Measurement of non-financial assets to determine any impairment losses (see Note 3e).
- Assumptions used in the actuarial calculation of liabilities and provisions for obligations to employees and the leaving dates and conditions for employees involved in workforce reduction plans and contract suspension agreements (see Notes 3k.1, 3k.2, 16.1 and 16.2).
- Useful lives of property, plant and equipment and intangible assets (see Notes 3a and 3d).
- Assumptions used to calculate the fair value of financial instruments (see Notes 3g and 18.6).
- Energy supplied to customers not yet billed (see Notes 3o and 12). In this regard, revenue from energy supplied not yet read on the customer's meters is based on estimates of the amount of energy supplied and all the usual price components for each type of customer. The amount of energy supplied is estimated on the basis of the purchases made from the market in that time period plus an estimate of the difference between the customers' actual metering and that purchase. The price components include: i) the part corresponding to the cost of energy corresponding to the purchases made from the market in that period

of time plus an estimate of the deviations due to the consumption profile of our customers; ii) the transfer of third-party access to the grid (“ATR”) or toll that each distributor bills; and iii) the margin associated with each of the different products that customers have contracted.

At 31 December 2020 and 2019, none of the foreseeable scenarios for the estimates of the key components indicated above would result in a significant change in the revenue associated with unbilled sales.

- Certain figures for the electricity system, including those relating to other companies, such as output, billing to customers, power consumed, distribution activity incentives, etc., which can be used to estimate the overall settlements in the electricity system to be made in the corresponding final statements. These settlements, which were pending at the date of formulation for issue of the Consolidated Financial Statements, could affect the assets, liabilities, income and expenses related with electricity system activities (see Note 4).
- Interpretation of existing or new electricity system regulations, the final economic effects of which will ultimately depend on rulings by the authorities responsible for settlements. Certain rulings were pending at the date of formulation of these Consolidated Financial Statements (see Note 4).
- Accrual of remuneration for the electricity production activity in the Non-mainland Territories (“TNP”) with additional remuneration regime (see Note 4).
- Accrual of remuneration for the electricity distribution activity for assets commissioned after 1 January 2017 (see Note 4).
- The likelihood and amount of undetermined or contingent assets and liabilities (see Notes 3k and 16.3). In particular, for uncertainties over tax treatments, the most probable amount method is applied to reflect the effect of the uncertainty (see Notes 3n, 21.1, 21.2, 22 and 31).
- Future costs for the closure of facilities and land restoration (see Notes 3a, 3b, 3d, 3k.4 and 16.3).
- The assumptions used to value deferred tax assets and tax credits (see Notes 3n and 21.1).

Although these estimates have been based on the best information on the events analysed available at the date of preparation of these Consolidated Financial Statements, future events could require the estimates to be increased or decreased in subsequent years. Changes in accounting estimates would be applied prospectively, the effects of the change in estimates being recognised in the corresponding future Consolidated Financial Statements.

2.2.1. COVID-19 Health crisis.

Given the complexity of the current environment, ENDESA has closely monitored the evolution of the COVID-19 pandemic and its impact in line with the recommendations of the European Securities and Markets Authority (ESMA) and the Spanish National Securities Market Commission (“CNMV”).

These Consolidated Financial Statements have been prepared under constant supervision of any effects of the COVID-19 health crisis as it unfolds on ENDESA’s Consolidated Financial Statements and continuous monitoring of changes in macroeconomic, financial and commercial variables, as well as the regulatory measures in force, in order to update the estimate of the possible effects. In accordance with the above, the main effects of the COVID-19 health crisis for ENDESA are detailed in the following Notes:

| Matters | Notes | Content |
|--------------------------------------|-------------------------|--|
| Going Concern | 2.1 | Impact of the healthcare crisis on the activities carried out by Group companies. |
| Impairment Test | 3e.5 | Stressed sensitivity analysis given the current uncertainty. |
| Regulatory Framework | 4 | Declaration of the State of Alarm and regulatory measures approved. |
| Leases | 6.1.1 and 6.1.2 | Effect of the health crisis on the leasing contracts signed (modification, renegotiation or cancellation of clauses). |
| Investments | 6.2 | Impact of the pandemic on the development of the investment plan. |
| Insurance | 6.4, 7.1 and 11.3 | Effect of the pandemic on insurance contracts concluded. |
| Inventories | 11.2 | Effect of the economic context on contracts with "take or pay" clauses. |
| Credit risk | 12.1, 19.5 and 28 | Impact of the health crisis caused by COVID-19 and containment measures adopted in the determination of the expected impairment loss. |
| Provisions | 16.1, 16.2.1 and 16.2.2 | Actuarial assumptions used. |
| Financial Debt | 17.2.2 | Financial debt refinancing processes as a result of the health crisis caused by COVID-19. |
| Liquidity Risk | 19.4 | Financial operations formalised to strengthen the liquidity position and ensure the continuity of the business activity in the current context. |
| Classification of Financial Assets | 18.1 | Modification of the business model and the characteristics of the contractual cash flows of the financial assets as well as reclassification between the categories of the same. |
| Derivatives and Hedging Transactions | 18.3 | Compliance with the criteria established by the regulations for applying hedge accounting. |
| Fair Value Measurement | 18.6.1 | Changes in the valuation standards used to determine fair value. |
| Concentration Risk | 19.6 | Effect of the pandemic on concentration risk. |
| Income tax | 21.1 and 31 | Recovery of deferred tax assets and impact on the effective corporate income tax rate due to legislative changes adopted to mitigate the effects of the COVID-19 health crisis. |
| Public Responsibility Plan | 27, 32.1 and 33.2.1 | Accrual and disbursement of expenses related to the COVID-19 health crisis. |
| COVID-19 health crisis | 38 | Measures adopted by the Company and the economic and financial impact of COVID-19. |

2.2.2. Climate change.

ENDESA is making progress in its commitment to lead the energy transition, in line with the Sustainable Development Goals (SDGs) of the United Nations, and more specifically, in developing a business model aligned with the objectives of the Paris Agreement to achieve the decarbonisation goal and thus contain the average increase in global temperature to below 2 °C compared to pre-industrial levels.

In this regard, it should be noted that the decision adopted by the Board of Directors of the Company on 27 September 2019 to discontinue the activity of the peninsular coal-fired plants, together with the strategic repositioning towards renewable energies that ENDESA has been implementing in recent years, has led to a significant change in the Company's generation mix in order to increase the weight of production free of carbon dioxide (CO₂) emissions.

The Strategic Plan for the period 2021-2023, presented on 25 November 2020, gives continuity to this repositioning, while responding to the new needs of the environment and is based on the following priorities:

1. Acceleration in meeting the commitments to decarbonise the generation fleet, by boosting renewable energies and completing the gradual closure of the technologies with the highest emissions.
2. Electrification of demand and use of new platforms that enable a competitive advantage through management based on customer value and the development of new personalised services and products.
3. Progress in the development and operation of more efficient grids to integrate the promotion of renewable energies and the electrification of transport.

ENDESA thus takes another step forward in its firm commitment to contribute to the development of an efficient and sustainable energy model, based on electrification from renewable sources, the development of smart grids as an integrating element and a focus on customer centricity.

Furthermore, all the objectives of ENDESA's Strategic Plan integrate the commitments of the Company's business model with the Sustainable Development Goals (SDG) adopted in 2015 by the United Nations (UN), especially with Sustainable Development Goals (SDG) 7 (Affordable and Clean Energy), 9 (Industry, Innovation and Infrastructure), 11 (Sustainable Cities and Communities) and, fundamentally, 13 (Climate Action).

Accordingly, the accounting principles used to prepare these Consolidated Financial Statements are consistent with the information described in Note 39.

2.3. Subsidiaries.

Subsidiaries are companies which the Parent controls directly or indirectly, over which it has power, to the variable returns of which it is exposed or the significant activities of which it has the right to direct. In this respect, a company is exposed to the variable returns of its investee when these returns vary depending on the investee's economic performance, and the company can use its power to influence these variable returns.

Control arises from substantive rights over the investee. ENDESA Management applies its judgement to assess whether these substantive rights give it the power to direct the investee's significant activities in order to affect its returns. To this end, account is taken of all the facts and circumstances pertaining in assessing whether or not it controls an investee, and factors such as contracts with third parties, rights deriving from other contractual agreements and actual and potential voting rights are analysed, potential voting rights for this purpose meaning those held by ENDESA or third parties that are exercisable or convertible at the accounting close.

When events occur that affect control of the investee, exposure to variable returns due to continued involvement, or the ability to exert power over the investee to influence its returns, a reassessment is made as to whether such control still exists.

Subsidiaries are fully consolidated as described in Note 2.7.

At 31 December 2020 and 2019, ENDESA had no structured entities that, as defined by IFRS 12 "Disclosure of Interests in Other Entities", had been designed so that voting or similar rights were not the dominant factor in deciding who controls the entity.

Appendix I to these Consolidated Financial Statements lists ENDESA's subsidiaries at 31 December 2020 and 2019.

2.3.1. Changes in consolidation scope

Companies added to the consolidation scope

The following subsidiaries were added to the consolidation scope in the years ended 31 December 2020 and 2019.

| | Notes | Transaction | Activity | Companies added to the consolidation scope in 2020 and 2019 | | | | | |
|--|-------|---------------|--|---|----------|--------------------------------------|----------|--------------------------------------|----------|
| | | | | Equity stake at 31 December 2020 (%) | | Equity stake at 31 December 2019 (%) | | Equity stake at 31 December 2018 (%) | |
| | | | | Control | Economic | Control | Economic | Control | Economic |
| Suggestion Power, Unipessoal, Lda. ⁽¹⁾ | 5 | Acquisition | Photovoltaic | 100.00 | 100.00 | - | - | - | - |
| ENDESA X Servicios, S.L.U. ⁽²⁾ | | Incorporation | Supply of Energy Products and Services | 100.00 | 100.00 | - | - | - | - |
| Parque Eólico Tico, S.L.U. ⁽³⁾ | 5 | Acquisition | Wind | 100.00 | 100.00 | - | - | - | - |
| Tico Solar 1, S.L.U. ⁽³⁾ | 5 | Acquisition | Photovoltaic | 100.00 | 100.00 | - | - | - | - |
| Tico Solar 2, S.L.U. ⁽³⁾ | 5 | Acquisition | Photovoltaic | 100.00 | 100.00 | - | - | - | - |
| Energía Neta Sa Caseta Lucmajor, S.L.U. ⁽³⁾ | 5 | Acquisition | Photovoltaic | 100.00 | 100.00 | 100.00 | 100.00 | - | - |
| ENDESA Energía Renovable, S.L.U. ⁽⁴⁾ | | Incorporation | Supply | 100.00 | 100.00 | 100.00 | 100.00 | - | - |
| Baleares Energy, S.L.U. ⁽³⁾ | 5 | Acquisition | Photovoltaic | 100.00 | 100.00 | 100.00 | 100.00 | - | - |
| Baikal Enterprise, S.L.U. ⁽³⁾ | 5 | Acquisition | Photovoltaic | 100.00 | 100.00 | 100.00 | 100.00 | - | - |
| Renovables La Pedrera, S.L.U. ⁽³⁾ | 5 | Acquisition | Wind | 100.00 | 100.00 | 100.00 | 100.00 | - | - |
| Renovables Mediavilla, S.L.U. ⁽³⁾ | 5 | Acquisition | Photovoltaic | 100.00 | 100.00 | 100.00 | 100.00 | - | - |
| ENDESA Soluciones, S.L. ⁽⁴⁾ | 10.1 | Incorporation | Supply of Energy Products and Services | 20.00 | 20.00 | 100.00 | 100.00 | - | - |
| Dehesa PV Farm 03, S.L.U. ⁽³⁾ | 5 | Acquisition | Photovoltaic | 100.00 | 100.00 | 100.00 | 100.00 | - | - |
| Dehesa PV Farm 04, S.L.U. ⁽³⁾ | 5 | Acquisition | Photovoltaic | 100.00 | 100.00 | 100.00 | 100.00 | - | - |
| Emintegral Cycle, S.L.U. ⁽³⁾ | 5 | Acquisition | Photovoltaic | 100.00 | 100.00 | 100.00 | 100.00 | - | - |
| Envatios Promoción I, S.L.U. ⁽³⁾ | 5 | Acquisition | Photovoltaic | 100.00 | 100.00 | 100.00 | 100.00 | - | - |
| Envatios Promoción II, S.L.U. ⁽³⁾ | 5 | Acquisition | Photovoltaic | 100.00 | 100.00 | 100.00 | 100.00 | - | - |
| Envatios Promoción III, S.L.U. ⁽³⁾ | 5 | Acquisition | Photovoltaic | 100.00 | 100.00 | 100.00 | 100.00 | - | - |
| Envatios Promoción XX, S.L.U. ⁽³⁾ | 5 | Acquisition | Photovoltaic | 100.00 | 100.00 | 100.00 | 100.00 | - | - |
| Fotovoltaica Yuncillos, S.L.U. ⁽³⁾ | 5 | Acquisition | Photovoltaic | 100.00 | 100.00 | 100.00 | 100.00 | - | - |
| Olivum PV Farm 01, S.L.U. ⁽³⁾ | 5 | Acquisition | Photovoltaic | 100.00 | 100.00 | 100.00 | 100.00 | - | - |
| Pampinus PV Farm 01, S.L.U. ⁽³⁾ | 5 | Acquisition | Photovoltaic | 100.00 | 100.00 | 100.00 | 100.00 | - | - |
| Torrepalma Energy 1, S.L.U. ⁽³⁾ | 5 | Acquisition | Photovoltaic | 100.00 | 100.00 | 100.00 | 100.00 | - | - |
| Xaloc Solar, S.L.U. ⁽³⁾ | 5 | Acquisition | Photovoltaic | 100.00 | 100.00 | 100.00 | 100.00 | - | - |
| Bogaris PV1, S.L.U. ⁽³⁾ | 5 | Acquisition | Photovoltaic | 100.00 | 100.00 | 100.00 | 100.00 | - | - |

- (1) Company acquired by ENDESA Generación Portugal, S.A. for Euros 6 million, of which Euros 3 million were pending payment at 31 December 2020 (see Notes 5 and 32.2).
(2) Company incorporated by ENDESA, S.A. (99.525% stake) and ENDESA Red, S.A.U. (0.475% stake) through the partial spin-off of ENDESA Energía, S.A.U. and ENDESA Ingeniería, S.L.U., respectively. Subsequently, ENDESA Red, S.A.U. sold its shareholding in the newly incorporated company to ENDESA, S.A.
(3) Companies acquired by ENEL Green Power España, S.L.U. (EGPE) for a total of Euros 40 million, of which Euros 26 million were pending payment at 31 December 2020 (Euros 40 million for companies acquired in 2019, of which Euros 3 million were pending payment at 31 December 2019 and were still pending payment at 31 December 2020) (see Notes 5 and 32.2).
(4) Companies established by ENDESA Energía, S.A.U.

Changes

The following changes occurred in the percentages of control and economic stake in subsidiaries in the year ended 31 December 2020:

| | Transaction | Activity | Changes in Companies, 2020 and 2019 | | | | | |
|---|-------------|-------------------------|--------------------------------------|----------|--------------------------------------|----------|--------------------------------------|----------|
| | | | Equity stake at 31 December 2020 (%) | | Equity stake at 31 December 2019 (%) | | Equity stake at 31 December 2018 (%) | |
| | | | Control | Economic | Control | Economic | Control | Economic |
| Empresa de Alumbrado Eléctrico de Ceuta, S.A. ⁽¹⁾ | Acquisition | Supply and Distribution | 96.37 | 96.37 | 96.29 | 96.29 | 96.29 | 96.29 |
| Empresa de Alumbrado Eléctrico de Ceuta Distribución, S.A.U. ⁽¹⁾ | Acquisition | Distribution | 100.00 | 96.37 | 100.00 | 96.29 | 100.00 | 96.29 |
| Energía Ceuta XXI Comercializadora de Referencia, S.A.U. ⁽¹⁾ | Acquisition | Supply | 100.00 | 96.37 | 100.00 | 96.29 | 100.00 | 96.29 |
| ENEL Green Power Granadilla, S.L.U. ⁽²⁾⁽³⁾ | Acquisition | Wind | - | - | - | - | 65.00 | 65.00 |

- (1) Interest acquired by ENDESA Red, S.A.U. for an amount of less than Euros 1 million.
(2) Company absorbed by ENEL Green Power, S.L.U. (EGPE) on 30 October 2019.
(3) Effect on equity of less than Euros 1 million (see Note 14.2).

Companies removed from the consolidation scope.

The following companies were removed from the consolidation scope in the years ended 31 December 2020 and 2019:

| | Notes | Transaction | Activity | Companies removed from the consolidation scope, 2020 and 2019 | | | | | |
|--|-------|-------------|--|---|----------|--------------------------------------|----------|--------------------------------------|----------|
| | | | | Equity stake at 31 December 2020 (%) | | Equity stake at 31 December 2019 (%) | | Equity stake at 31 December 2018 (%) | |
| | | | | Control | Economic | Control | Economic | Control | Economic |
| ENDESA Soluciones, S.L. ⁽¹⁾ | 10.1 | Sale | Supply of Energy Products and Services | 20.00 | 20.00 | 100.00 | 100.00 | - | - |
| ENDESA X, S.A.U. (in liquidation) ⁽²⁾ | | Winding up | Supply of Energy Products and Services | - | - | 100.00 | 100.00 | - | - |
| Hidromondego - Hidroeléctrica do Mondego, Lda. ⁽³⁾ | | Winding up | Electricity Production and Supply | - | - | 100.00 | 100.00 | 100.00 | 100.00 |
| International ENDESA B.V. (in liquidation) ⁽⁴⁾ | | Winding up | International financial transactions company | - | - | 100.00 | 100.00 | 100.00 | 100.00 |
| Energía Eléctrica del Ebro, S.A.U. (in liquidation) ⁽²⁾ | | Winding up | Distribution and Supply | - | - | - | - | 100.00 | 100.00 |
| Eólica del Noroeste, S.L. ⁽⁵⁾ | | Sale | Wind | - | - | - | - | 51.00 | 51.00 |
| Pereda Power, S.L. (in liquidation) ⁽²⁾ | | Winding up | Generation | - | - | - | - | 70.00 | 70.00 |

- (1) On 11 May 2020, ENDESA Energía, S.A.U. formalised the sale of 80.00% of this Subsidiary, which thus became an Associate (see Notes 2.4 and 10.1). The gross loss on the divestment was less than Euros 1 million. Subsequently, on 21 December 2020, ENDESA Energía, S.A.U. sold its stake in this company to ENDESA X Servicios, S.L.U.
(2) The figures for this company were not material.
(3) The gross gain amounted to Euros 2 million.
(4) The gross loss amounted to Euros 8 million.
(5) The gross gain on the divestment was less than Euros 1 million.

The following mergers between subsidiaries took place in the years ended 31 December 2020 and 2019:

| Absorbing Company | Merger Date | Companies Absorbed | Company Mergers, 2020 and 2019 | | | | | |
|--|-------------------|---|---|----------|---|----------|---|----------|
| | | | Equity stake at 31 December 2020 (%) (Company Absorbed) | | Equity stake at 31 December 2019 (%) (Company Absorbed) | | Equity stake at 31 December 2018 (%) (Company Absorbed) | |
| | | | Control | Economic | Control | Economic | Control | Economic |
| ENEL Green Power España, S.L.U. (EGPE) | 18 November 2020 | Almussafes Servicios Energéticos, S.L.U. | - | - | 100.00 | 100.00 | 100.00 | 100.00 |
| | 22 September 2020 | Sistemas Energéticos Sierra del Carazo, S.L.U. | - | - | 100.00 | 100.00 | 100.00 | 100.00 |
| | | Sistemas Energéticos Alcojate, S.A.U. | - | - | 100.00 | 100.00 | 100.00 | 100.00 |
| | 05 August 2020 | Sistemas Energéticos Campoliva, S.A.U. | - | - | 100.00 | 100.00 | 100.00 | 100.00 |
| | | Parque Eólico Farlán, S.L.U. | - | - | 100.00 | 100.00 | 100.00 | 100.00 |
| | 31 October 2019 | Energías de Aragón II, S.L.U. | - | - | - | - | 100.00 | 100.00 |
| | 30 October 2019 | ENEL Green Power Granadilla, S.L.U. | - | - | - | - | 65.00 | 65.00 |
| | | Parques Eólicos Gestinver, S.L.U. | - | - | - | - | 100.00 | 100.00 |
| | 25 September 2019 | Parques Eólicos Gestinver Gestión, S.L.U. | - | - | - | - | 100.00 | 100.00 |
| | | Productor Regional de Energía Renovable, S.A.U. | - | - | - | - | 100.00 | 100.00 |
| | | Productor Regional de Energías Renovables III, S.A.U. | - | - | - | - | 100.00 | 100.00 |

2.3.2. Companies in which ENDESA holds an equity stake of more than 50% but which are not consolidated.

Although ENDESA holds more than 50% of Asociación Nuclear Ascó-Vandellós II, A.I.E., this investee is considered to be a Joint Operation because, through shareholder pacts or agreements, ENDESA exercises joint control with the other shareholder and has rights to its assets and obligations in respect of its liabilities (see Note 2.5.1).

Likewise, ENDESA owns more than 50% of Front Marítim del Besòs, S.L., however this investee is considered a Joint Venture since ENDESA, under the signed shareholders' agreement, exercises joint control with the other shareholder and has rights to the net assets of the company (see Notes 2.5.2 and 10.1).

2.4. Associates.

Associates are entities in which the Parent has significant influence, directly or indirectly. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by ENDESA or other entities, are taken into account when assessing whether it has significant influence.

In general, where ENDESA holds a stake of more than 20%, it is presumed that it has significant influence.

Associates are accounted for in the enclosed Consolidated Financial Statements using the equity method, as described in Note 3h.

Appendix II to these Consolidated Financial Statements lists ENDESA's Associates at 31 December 2020 and 2019.

Companies added to the consolidation scope

The following Associates were added to the consolidation scope in the year ended 31 December 2020:

| Notes | Transaction | Activity | Companies added to the consolidation scope in 2020 | | | | |
|------------------------------|-------------|---------------|--|----------|--------------------------------------|----------|--------|
| | | | Equity stake at 31 December 2020 (%) | | Equity stake at 31 December 2019 (%) | | |
| | | | Control | Economic | Control | Economic | |
| ENDESA Soluciones, S.L. (1) | 10.1 | Sale | Supply of Energy Products and Services | 20.00 | 20.00 | 100.00 | 100.00 |
| Trévago Renovables, S.L. (2) | 10.1 | Incorporation | Photovoltaic | 35.50 | 35.50 | - | - |

(1) On 11 May 2020, ENDESA Energía, S.A.U. formalised the sale of 80.00% of this Subsidiary, which thus became an Associate (see Notes 2.3.1 and 10.1). The gross loss on the divestment was less than Euros 1 million. Subsequently, on 21 December 2020, ENDESA Energía, S.A.U. sold its ownership interest in this company to ENDESA X Servicios, S.L.U.

(2) Company in which ENEL Green Power España, S.L.U. (EGPE) has a 35.50% stake, through Furatena Solar 1, S.L.U. (17.73%) and Seguidores Solares Planta 2, S.L.U. (17.77%).

No Associates were added to the consolidation scope in the year ended 31 December 2019.

Changes

The following change occurred in the percentage control and economic stake of the following Associated Company in the year ended 31 December 2020:

| Transaction | Activity | Changes in Companies 2020 | | | | |
|--|-------------|--------------------------------------|----------|--------------------------------------|----------|-------|
| | | Equity stake at 31 December 2020 (%) | | Equity stake at 31 December 2019 (%) | | |
| | | Control | Economic | Control | Economic | |
| Centrales Nucleares Almaraz-Trillo, A.I.E. (1) | Acquisition | Nuclear Power Plant Management | 24.18 | 24.18 | 24.26 | 23.92 |

(1) Shareholding acquired by ENDESA Generación, S.A.U. for a non-material amount.

In the year ended 31 December 2019, there have been no changes in the percentages of economic interest and control of any Associated Company.

Companies removed from the scope of consolidation.

In the year ended 31 December 2020, no Associated Company was removed from the scope of consolidation.

In the year ended 31 December 2019, the following Associates were removed from the scope of consolidation:

| Transaction | Activity | Companies removed from the consolidation scope in 2019 | | | | |
|--------------------------------------|------------|--|----------|--------------------------------------|----------|-------|
| | | Equity stake at 31 December 2019 (%) | | Equity stake at 31 December 2018 (%) | | |
| | | Control | Economic | Control | Economic | |
| Ufelys, S.L. (in liquidation) (1) | Sale | Renewable Energy | - | - | 40.00 | 40.00 |
| Erecosalz, S.L. (in liquidation) (2) | Winding up | Power Generation | - | - | 33.00 | 33.00 |

(1) The gross capital gain was less than Euros 1 million.

(2) The figures for this company were not material.

2.5. Joint Arrangements.

A Joint Arrangement is an agreement that gives two or more parties joint control, whereby the unanimous consent of all parties sharing control is required for decisions to be taken with respect to major activities.

Joint arrangements may be Joint Operations or Joint Ventures, depending on the rights and obligations of the parties to the agreement.

In order to determine the type of Joint Arrangement from a contractual arrangement at the accounting close, management assesses the legal contents and structure of the arrangement, the terms agreed by the parties and other relevant factors and issues. If any changes are made to the contractual features of a joint arrangement, these factors and issues are reassessed.

2.5.1. Joint Operations

Joint Operations are entities governed by a Joint Arrangement whereby ENDESA and the other parties have rights to their assets and obligations with respect to the liabilities.

The assets and liabilities concerned by Joint Operations are consolidated proportionately, as described in Note 2.7.

Appendix I to the Consolidated Financial Statements lists the Joint Operations of ENDESA at 31 December 2020 and 2019.

Companies added to the consolidation scope

During the years ended 31 December 2020 and 2019 no Joint Operations were added to the consolidation scope.

Changes

During the years ended 31 December 2020 and 2019, there were no changes in percentage control and economic stake of any Joint Operations in the scope of consolidation.

Companies removed from the consolidation scope.

During the year ended 31 December 2020 no Joint Operations were removed from the consolidation scope.

In the year ended 31 December 2019 the following Joint Operation was removed from the consolidation scope:

| | Transaction | Activity | Companies removed from the consolidation scope in 2019 | | | |
|---|-------------|------------|--|----------|--------------------------------------|----------|
| | | | Equity stake at 31 December 2019 (%) | | Equity stake at 31 December 2018 (%) | |
| | | | Control | Economic | Control | Economic |
| La Pereda, CO ₂ , A.I.E. (in liquidation) ⁽¹⁾ | Winding up | Generation | - | - | 33.33 | 33.33 |

(1) The figures for this company were not material.

2.5.2. Joint Ventures

Joint Ventures are companies governed by a joint arrangement whereby ENDESA and the other parties have rights over the net assets.

Joint Ventures are accounted for in these Consolidated Financial Statements using the equity method, as described in Note 3h.

Appendix II to the Consolidated Financial Statements lists the Joint Ventures of ENDESA at 31 December 2020 and 2019.

Inclusions, exclusions and changes

In the years ended 31 December 2020 and 2019 there were no additions to or removal from the consolidation scope nor any changes in the percentage of control and economic ownership of any Joint Venture.

2.6. Other investments.

The financial data of ENDESA's investees that are not considered subsidiaries, joint operations, joint ventures or associates have a minimal impact as regards the fair presentation required of the Consolidated Financial Statements.

2.7. Basis of consolidation and business combinations.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which ENDESA obtains control, and all their assets, liabilities, income, expenses and cash flows are included in the Consolidated Financial Statements after the corresponding adjustments and elimination of intragroup transactions.

Results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal as the case may be.

Joint Operations are consolidated integrating the proportional part of their assets, liabilities, income, expenses and cash flows being integrated into the Consolidated Financial Statements based on the percentage of ENDESA's holding in the companies, once the corresponding adjustments and eliminations of the operations carried out within ENDESA have been made.

The operations of the Parent Company and its subsidiaries are consolidated in accordance with the following basic principles:

- At acquisition date, the assets, liabilities and contingent liabilities of the subsidiary which constitute a business are recognised at fair value, except for certain assets and liabilities which are measured in accordance with the valuation principles set out in the IFRS. If fair value is determined on a provisional basis, the value of the business combination is measured using provisional values. Any adjustments arising from completion of the valuation process are made within 12 months of the business combination, and consequently the comparative figures are restated. Where the acquisition cost of the subsidiary exceeds the fair value of the Parent Company's share of its assets and liabilities, including contingent liabilities, the difference is recognised as goodwill. If this difference is negative, it is credited to consolidated profit and loss. Costs attributable to the acquisition are recognised as an expense as incurred.
- Any contingent consideration arising from a business combination is recognised at fair value at the acquisition date. Payment obligations arising from a contingent consideration are recognised as liabilities or equity in the Consolidated Statement of Financial Position, as per the definition of these items in IAS 32 “Financial Instruments: Presentation”. Collection rights in connection with a contingent consideration arising from the return of considerations previously transferred are recognised as an asset in the Consolidated Statement of Financial Position.
- Non-controlling interests in the fair value of the net assets acquired and in the profit or loss of fully consolidated subsidiaries are recognised in “Equity: of Non-controlling Interests” in the Consolidated Statement of Financial Position and “Non-controlling Interests” in the Consolidated Statement of Comprehensive Income, respectively.
- If at the date of acquisition the assets and liabilities acquired in a subsidiary do not constitute a business, ENDESA will identify and recognise the individually identifiable assets acquired and the liabilities assumed, so that the cost must be distributed among the individually identifiable assets and the liabilities based on their relative fair values at the date of purchase. This transaction will not result in goodwill.
- The financial statements of foreign companies with a functional currency other than the Euro are translated to Euros as follows:
 - Assets and liabilities at the rate of exchange in force at the reporting date.
 - Income and expenses items at the average exchange rate for the year.
 - Equity at the historical rate at the acquisition date and retained earnings and contributions at the average exchange rate for the year in which they were generated or occurred, as appropriate.

Exchange differences arising on translation of financial statements are recognised net of their tax effect under “Translation differences” in the Consolidated Statement of Comprehensive Income: “Other Comprehensive Income”.

Translation differences generated prior to 1 January 2004 were transferred to reserves as in its initial application of IFRS the Company made use of the exception provided for the conversion of Financial Statements prepared in accordance with Spanish accounting principles and criteria to IFRS.

- All balances and transactions between fully consolidated companies have been eliminated upon consolidation, as has the corresponding portion in the case of proportionately consolidated companies.

- When a transaction results in the loss of control of a subsidiary, any investment retained in the company is measured at its fair value at the date when control is lost. The difference between the fair value of the consideration received plus the fair value of the investment retained and the carrying amounts of the non-controlling interests in the former subsidiary, and the assets and liabilities derecognised from the Consolidated Statement of Financial Position following the loss of control of the previously controlled subsidiary is recognised under “Gains/(losses) on disposal of assets” in the Consolidated Income Statement. Amounts recognised in “Other Comprehensive Income” are booked as if the assets and liabilities concerned had been disposed of.
- When a transaction results in control being acquired over a company in which a stake was previously held, the previous investment is recognised at its fair value at the date when control is acquired. The difference between the fair value and the carrying amount of the previously-held investment is recognised in the Consolidated Income Statement. Amounts recognised in “Other Comprehensive Income” are accounted for as if the assets and liabilities concerned had been disposed of.
- If the transaction is between entities or businesses under joint control, the economic substance of the business combination is determined in order to assign a fair value to the net assets acquired.
- Changes in investments in subsidiaries that do not result in the Parent’s gaining or losing control of the subsidiary are accounted for as equity transactions, with the carrying amounts of the controlling and non-controlling interests adjusted to reflect changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity of the parent.

3. Measurement criteria.

The main measurement criteria used in preparing the accompanying Consolidated Financial Statements were as follows:

a) Property, plant and equipment.

a.1. Acquisition costs.

Property, plant and equipment is valued at cost, net of accumulated depreciation and any accumulated impairment losses. In addition to the price paid for the acquisition of each item, cost also includes, where appropriate, the following items:

- Borrowing costs accrued during the construction period that are directly attributable to the acquisition, construction or production of qualifying assets. Qualifying assets are assets requiring a substantial time before they are ready for use, such as electricity generating or distribution facilities. The interest rate used is that applicable to the specific financing or, in the absence of such rate, the average financing rate of the company making the investment. The average financing rate in 2019 was 1.7% (1.8% in 2019) (see Note 17.1) Euros 3 million were capitalised in this respect in 2020 (Euros 5 million in 2019) (see Note 29).
- Personnel expenses relating directly to work in progress. The amounts capitalised are recognised under Personnel Expenses in the Consolidated Income Statement and as income under Self-constructed Assets in the Consolidated Statement of Financial Position. In 2020, the amount capitalised in this respect amounted to Euros 117 million (Euros 112 million in 2019).
- ENDESA recognises the costs it will incur in the future to decommission its facilities in the cost of the asset, at their present value, and recognises the corresponding provision. ENDESA reviews its estimate of these future costs annually, increasing or decreasing the value of the related asset based on the outcome of the review. For nuclear power plants, this provision reflects the amount that ENDESA estimates it will have to pay until such time as the government-owned company Empresa Nacional de Residuos Radiactivos, S.A. (ENRESA) takes charge of decommissioning these plants (see Note 16.3).

The acquisition cost of assets acquired before 31 December 2003 includes any asset revaluations permitted in the various countries to adjust the value of the property, plant and equipment for the effect of inflation until that date.

Assets under construction are transferred to property, plant and equipment in use once the trial period has ended and they are available for use, at which time depreciation begins.

Costs of expansion, modernisation or improvements which increase the productivity, capacity or efficiency or lengthen the useful lives of assets are capitalised as an increase in the cost of the related assets.

Replacements or renewals of complete items that extend the useful life or increase the economic benefits of the assets are recognised as increases in the value of property, plant and equipment and the items replaced or renewed are derecognised.

Regular maintenance, upkeep and repair expenses are expensed as incurred (see Note 27).

Indivisible assets shared by ENDESA with other owners are recognised in proportion to ENDESA's ownership of those assets (see Note 6.4).

Based on the result of the impairment test explained in Note 3e, the Directors of the Parent Company consider that the carrying amount of the assets does not exceed their recoverable value, with the exception of the CGUs of the Non-mainland Territories ("TNP") of Balearic Islands, Canary Islands, Ceuta and Melilla (see Notes 3e.4 and 6.4).

a.2. Depreciation.

Items of property, plant and equipment, less residual value if any, are depreciated from the time they become available for use on a straight-line basis over their estimated useful lives, which are the periods of expected use. Useful lives are reviewed whenever there are indications of possible changes, and adjusted prospectively where necessary.

The useful life of assets for the purposes of calculating depreciation are as follows:

| | Years of estimated useful life | |
|---|--------------------------------|----------------------|
| | 2020 | 2019 |
| Generating facilities: | | |
| Hydroelectric plants | | |
| Civil works | 100 | 100 |
| Electromechanical Equipment | 50 | 50 |
| Coal-fired power plants | 25-48 | 25-48 ⁽²⁾ |
| Nuclear power plants | 44-50 ⁽¹⁾ | 44-50 ⁽³⁾ |
| Combined cycle plants | 40 | 40 |
| Renewables | | |
| Photovoltaic | 30 | 30 |
| Wind | 30 | 30 |
| Transmission and distribution facilities | | |
| Low and Medium Voltage Network | 40 | 40 |
| Metering and Remote-Control Equipment | 6-15 | 6-15 |
| Other Facilities | 25 | 25 |

(1) The useful life of Generator I of the Ascó nuclear power plant has been changed to 46 years and 9 months, effective 1 April 2020.

(2) As a consequence of the decommissioning of the mainland coal-fired thermal power plants, their estimated useful life has been altered (see Notes 3e.4 and 6.4).

(3) The useful lives of Generators I and II of the Almaraz nuclear power plant were changed to 45 and 44 years respectively, effective 1 April 2019.

Land is not depreciated since it has an indefinite useful life.

ENDESA has modified the useful life of Generator I of the Ascó nuclear power plant, effective 1 April 2020, to 46 years and 9 months as a result of the renewal request submitted for the operating permit for said power plant, from 30 September 2021, for a period of 9 years, this period being less than the usual 10 years in anticipation of the fulfilment of the Spanish Integrated National Energy and Climate Plan (“PNIEC”) as it relates to Generator I of the Ascó nuclear power plant.

The effect of this change on the Consolidated Income Statement for the year ended 31 December 2020 is an increase of Euros 11 million in the depreciation charge relative to the previous financial year.

ENDESA modified the useful lives of Generators I and II of the Almaraz nuclear power plant in Cáceres province, with effect from 1 April 2019, to bring them into line with the request made for renewal of the operating permits of said plants from 1 April 2020 for a period of 7.4 years for Generator I and 8.2 years for Generator II, these periods being less than the usual 10 years, in anticipation of the fulfilment of the Spanish Integrated National Energy and Climate Plan (“PNIEC”) as it relates to the plant.

The effect of this change on the Consolidated Income Statement for the year ended 31 December 2019 was an increase of Euros 10 million in the depreciation charge relative to the previous year.

a.3. Other matters.

Pursuant to Law 29/1985 of 2 August 1985, partially amended by Law 46/1999 of 13 December 1999, all Spanish hydroelectric power plants are subject to the temporary administrative concession regime. Under the terms of these administrative concessions, at the end of the established terms the facilities must revert to state ownership in good condition, at 31 December 2020 these reversions were between 2021 and 2067 (see Note 16.3). These facilities are depreciated over the shorter of the concession term or their useful lives.

ENDESA has assessed the specific situations of these concessions and concluded that in no case do the factors requiring application of IFRIC 12: “Service Concession Agreements” apply (see Note 3d.1).

Items of property, plant and equipment are derecognised when they are sold or otherwise disposed of, or when no further economic benefits are expected to be obtained from their use, sale or disposal by other means.

Any gains or losses arising on the disposal or decommissioning of property, plant and equipment are recognised in profit or loss and are calculated as the difference between the net sale proceeds and the carrying amount.

b) Investment property

The Investment Property heading in the Consolidated Statement of Financial Position comprises land and buildings not expected to be used in the ordinary course of the businesses constituting ENDESA’s corporate object.

Investment properties are measured at acquisition cost net of accumulated depreciation and any accumulated impairment losses.

The market values of investment property have been calculated based on external appraisals carried out during the last quarter of 2020 (see Notes 7.1 and 18.6.2).

To determine the fair market value of investment property, appraisals from officially recognised independent experts are requested. They make best estimates of value based on the greatest and best use of the property in accordance with its town planning status and current state of repair in the case of buildings.

Investment property, excluding land, is depreciated on a straight-line basis over the useful lives of the assets, which are estimated using the same criteria as for property, plant and equipment

Investment property is derecognised when it is sold or otherwise disposed of, or when no further economic benefits are expected to be obtained from its use, sale or disposal by other means.

Any gains or losses arising on the disposal or derecognition of investment property are recognised in profit or loss and are calculated as the difference between the net sale proceeds and the carrying amount.

c) Goodwill.

Goodwill on consolidation represents the excess of the acquisition cost over the acquisition-date fair value of ENDESA's interest in the identifiable assets acquired and liabilities assumed, including contingent liabilities, of a subsidiary or jointly-controlled entity.

The assets and liabilities acquired are measured provisionally at the date on which control of the company is obtained, and reviewed within a maximum period of one year from the acquisition date. The difference between the acquisition cost and the carrying amount of the acquiree is recognised provisionally as goodwill, until the actual fair value of the assets and liabilities is determined.

When the actual amount of goodwill is determined in the Consolidated Financial Statements for the year following that of the acquisition of the interest, the previous year's financial statements presented for comparison purposes are adjusted to include the value of the assets and liabilities acquired and the definitive goodwill from the date of acquisition of that interest.

Goodwill arising on the acquisition of companies with a functional currency other than the Euro is measured in the functional currency of the acquiree and translated to Euros at the exchange rate in force at the reporting date.

Goodwill is not amortised, but is assigned to each Cash Generating Units (CGUs) or set of CGUs, and at the end of each accounting year an assessment is made as to whether there has been any impairment reducing their recoverable value to an amount lower than the recognised net cost, in which case the necessary value adjustments are made (see Note 3e).

At 31 December 2020 the goodwill recognised in the Consolidated Statement of Financial Position had been generated as a result of the acquisition of the systems and telecommunications (ICT) activity and of taking control of ENEL Green Power España, S.L.U. (EGPE), Eléctrica del Ebro, S.A.U. and Empresa de Alumbrado Eléctrico de Ceuta, S.A (see Note 9).

Based on the results of the impairment test described in Note 3e, the Parent Company's Directors consider that the carrying amount of the assets does not exceed their recoverable amount, with the exception of the mainland coal-fired thermal power plants.

d) Intangible assets

Intangible assets are initially recognised at cost of acquisition or production and subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over their useful lives, except for those with indefinite useful lives, which are not amortised.

At 31 December 2020 and 2019, there were no intangible assets with indefinite useful lives.

The criteria used to recognise the impairment losses on these assets and, where applicable, the recovery of impairment losses recognised in prior years are described in Note 3e.

Intangible assets are derecognised when they are sold or otherwise disposed of, or when no further economic benefits are expected to be obtained from their use, sale or other form of disposal.

Any gains or losses arising on the disposal or retirement of intangible assets are recognised in profit or loss and are calculated as the difference between the net disposal proceeds and the carrying amount of the assets.

d.1. Concessions

IFRIC 12 “Service Concession Arrangements” gives guidance on accounting for concessions of public services to private operators. This accounting interpretation applies to concessions in which:

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- the grantor controls, through ownership, usufruct or otherwise, any significant residual interest in the infrastructure at the end of the term of the arrangement.

Where both the above conditions are met simultaneously, the consideration received by ENDESA for the construction of infrastructure is recognised as set forth in Note 3o.1, as an intangible asset providing the operator receives a right to charge users for the public service and such right is linked to the degree of use of the service, or as a financial asset if there is an unconditional contractual right to receive cash or another financial asset directly from the grantor or from a third party. ENDESA’s contractual obligations for maintenance of the infrastructure while it is in operation or for its return to the grantor at the end of the concession arrangement in the conditions specified therein, to the extent that these activities do not generate revenue, are recognised applying the accounting policy for provisions (see Note 3k).

At December 31, 2020 and 2019, ENDESA had not recognised any intangible assets or financial assets for its concession agreements as a result of the application of IFRIC 12 “Service Concession Arrangements”.

Borrowing costs are capitalised using the criteria specified in Note 3a, providing the concession operator has a contractual right to receive an intangible asset. No borrowing costs were capitalised in 2020 or 2019.

No personnel expenses were capitalised in 2020 or 2019.

Concessions are amortised over their term.

Concession contracts not subject to IFRIC 12 “Service Concession Arrangements” are recognised following the general criteria. To the extent that ENDESA recognises assets as property, plant and equipment (see Note 3a), they are depreciated over the shorter of their useful lives and the term of the concession. When calculating asset impairment, any obligation to invest in, improve or replace assets assumed by ENDESA is considered, as a contractually committed future cash outflow necessary to obtain future cash inflows. If ENDESA has the use of assets assigned to it in exchange for a consideration, the criteria established in Note 3f apply.

d.2. Research and development costs.

ENDESA’s policy is to recognise development expenditure on projects as an intangible asset in the Consolidated Statement of Financial Position providing the technical feasibility and economic profitability of the project are reasonably assured.

Development expenses are amortised over their useful life in accordance with a systematic plan which in most cases is estimated at five years.

Research costs are recognised as expense in the Consolidated Income Statement. The amount of these costs in the Consolidated Income Statement amounted to Euros 13 million in 2020 (Euros 19 million in 2019).

d.3. Other intangible assets

These assets basically correspond to:

- software, which is initially recognised at cost of acquisition or production and subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. Software is amortised over its useful life which, in most cases, is estimated at five years. During 2020 and 2019 personnel expenses amounting to Euros 25 million and 29 million respectively were capitalised.
- Customer portfolios acquired through business combinations, as a result of the merger of GEM Suministro Gas 3, S.L.U. and Madrileña Suministro de Gas, S.L.U., carried out in 2015 and 2012, respectively, are initially recognised at their fair value at the acquisition date. They are subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. The amortisation method for the aforementioned portfolios is decreasing throughout their useful life and at 31 December 2020 ranged between 15 years and 25 years based on the expected gradual decrease in said portfolios.

d.4. Incremental costs of obtaining a contract with a customer.

The incremental costs of obtaining a contract are the costs incurred to obtain a contract with a customer that would not have been incurred if the contract had not been obtained.

ENDESA recognises the incremental costs of obtaining contracts with customers as an intangible asset, insofar as they are directly related to a contract or a future contract that can be specifically identified and from which these costs are expected to be recovered.

This asset is amortised systematically depending on the average expected useful life of the contracts with customers associated with these costs, which at 31 December 2020 varied between 1 year and 15 years.

The costs of obtaining a contract that ENDESA would have incurred regardless of whether or not the contract was obtained are recognised as an expense in the Consolidated Income Statement when they occur.

e) Impairment of non-financial assets

ENDESA assesses throughout the year and, in any case, at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the asset's recoverable amount to determine the extent of any impairment loss. For identifiable assets that do not generate cash flows independently, an estimate is made of the recoverable amount of the Cash Generating Unit (CGU) to which the asset belongs; i.e. the smallest identifiable group of assets that generates independent cash inflows.

In the case of CGUs to which goodwill or intangible assets with indefinite useful lives have been allocated, the analysis of their recoverability is carried out systematically at the end of each financial year.

If the recoverable amount of a CGU is less than the carrying amount of the assets associated with it, the corresponding impairment loss is recognised for the difference, under "Depreciation and Amortisation, and Impairment Losses" in the Consolidated Income Statement. The impairment loss is first allocated to the value of the goodwill allocated to the CGU and then to the remaining assets of the CGU in proportion to the carrying amount of each, up to the greatest of their fair value less selling costs, their value in use, and zero.

Impairment losses recognised on an asset in previous years are reversed when there is a change in the estimate of its recoverable amount, increasing the carrying amount of the asset with a credit to profit and loss, subject to a limit of the carrying amount of the asset that would have applied if no impairment loss been recognised. Impairment losses relating to goodwill cannot be reversed.

e.1. Cash-Generating Units (CGUs).

ENDESA considers that the assets of the electricity generation business belonging to a single interconnected system and those of the electricity distribution that receive joint remuneration constitute a CGU.

The most significant CGUs at 31 December 2020 were as follows:

- Generation:
 - Iberian Peninsula Generation CGU: the management of all the generation assets in the Iberian Peninsula is carried out using an integrated portfolio approach, the ultimate objective of which is to maximise the integrated margin of electricity generation and supply. The main features of this management approach are the following:
 - All assets are managed jointly, regardless of the type of technology (combined cycle, fuel oil, nuclear or renewable, including hydroelectric), depending on the availability of plants, weather, demand and the need to cover the technical restrictions of the System, among other aspects.
 - The joint management and the diversification of the generation portfolio allows ENDESA to respond in an elastic and flexible way to demand through offers in different markets, coordinated by a single representative and settlement agent, guaranteeing security of supply.
 - Decisions are taken on operations based on the installed capacity of all generation assets combined and with an integrated margin management approach that seeks to optimise electricity purchases and sales.
 - Cash Generating Units (CGUs) of Generation for each of the Non-mainland Territories (“TNP”) of the Balearic Islands, Canary Islands, Ceuta and Melilla: each of these geographic areas form a Cash Generating Unit (CGU), as each of them has a joint management of the assets, as they are isolated or poorly connected territories, in which there is a regulated retribution that remunerates the specificities of each geographic area and differentiated criteria for the management of the activity at the level of each Autonomous Community or City.
- Distribution: The assets of the distribution network in Spain constitute a single Cash Generating Unit (CGU), since the distribution network consists of a set of interrelated and interdependent assets the development, operation and maintenance of which are managed jointly.

e.2. Calculation of the recoverable amount.

The recoverable amount is the greater of fair value less necessary selling costs and value in use, the latter being understood as the present value of the estimated future cash flows.

In estimating value in use, ENDESA prepares pre-tax cash flow projections based on the latest budgets available. These budgets include ENDESA management’s best estimates of the income and expenditure of the CGUs according to industry projections, past experience and future expectations.

These projections cover the next five years. Cash flows are estimated to the end of the useful lives of the assets, taking account of residual value if any, and applying reasonable growth rates that in no case are ascending or exceed growth rates for the industry.

The estimated future cash flows are discounted to present value using a pre-tax rate that reflects the cost of capital of the business and its geographical area. The calculation takes account of the current cost of money and the risk premiums generally used by analysts for the business and the geographical area.

e.3. Main assumptions used in determining value in use.

The pre-tax discount rates applied in 2020 and 2019 to the main Cash Generating Units (CGUs) were in the following ranges:

| | Currency | 31 December 2020 | | 31 December 2019 | |
|----------------------------------|----------|------------------|---------|------------------|---------|
| | | Minimum | Maximum | Minimum | Maximum |
| Generation Iberian Peninsula | Euro | 3.5 | 5.6 | 5.0 | 6.3 |
| Non-mainland Territories ("TNP") | Euro | | | | |
| Balearic Islands | Euro | 4.9 | 4.9 | 6.0 | 6.0 |
| Canary Islands | Euro | 2.9 | 2.9 | 4.7 | 4.7 |
| Ceuta | Euro | 4.6 | 4.6 | 7.0 | 7.0 |
| Melilla | Euro | 2.9 | 2.9 | 2.7 | 2.7 |
| Distribution | Euro | 3.2 | 5.2 | 3.6 | 5.5 |

Analysing the parameters that make up the 2020 discount rates, it should be noted that the risk-free rate has fallen significantly, from 0.79% in 2019 to 0.25% in 2020 and the risk premium of the business, which represents the specific risk of the assets and is based on the unlevered betas applied to companies with similar activity, has fallen slightly in the deregulated businesses and increased significantly in the regulated businesses.

The average growth rates used to extrapolate the projections of 2020 and 2019 were the following:

| | 2020 | 2019 |
|----------------------------------|-----------|-----------|
| Generation Iberian Peninsula | 0.0 - 2.1 | 0.0 - 1.8 |
| Non-mainland Territories ("TNP") | | |
| Balearic Islands | 0.0 | 0.0 |
| Canary Islands | 0.0 | 0.0 |
| Ceuta | 0.0 | 0.0 |
| Melilla | 0.0 | 0.0 |
| Distribution | 1.6 | 1.8 |

These growth rates, which do not exceed the long-term average growth rate of the sector and markets in which ENDESA operates, are in line with Spain's long-term inflation as well as with the market consensus.

The approach used to assign value to the key assumptions considered took account of the following concepts and/or parameters:

- Evolution of demand for electricity and gas: estimated growth was calculated on the basis of the growth forecast for Gross Domestic Product (GDP) and other assumptions used by ENDESA with respect to trends in consumption of electricity and gas in these markets.
- Regulatory measures: a substantial part of ENDESA's business is regulated and subject to wide-ranging complex regulations, which may be amended by the introduction of new laws or by amendments to existing laws, so forecasts assume appropriate application of both current regulations and any other laws in development that are expected to be in force during the projected period.
- Average rainfall and wind: forecasts are drawn up for an average year based on historical series of weather conditions. However, particularly for the first year of projection, the actual rainfall and wind figures of the preceding year are used, the average year being adjusted accordingly.
- Installed capacity: for the generating activity, account is taken of the investment required to maintain installed capacity in proper operating conditions, for the distribution activity account is taken of investment in maintenance, improvement and reinforcement of the network, and also investments required to implement the remote metering plan, and in the supply activity account is taken of the investment required to develop other products and services.

- The production mix is determined using complex specifically-developed internal forecast models that take account of such factors as prices and availability of commodities (e.g. Brent crude, gas, coal, etc.), forecast demand, and planned construction or commissioning of new capacity in the various technologies. These models are constantly changing, factoring in changes in variables such as availability of the production base, availability of fuel and start-up of operation of new plants. They provide signals on prices in the system and forecasts of production costs, on which output forecasts for generation facilities are based.
- Assumptions for energy sale and purchase prices are made based on complex specifically-developed internal forecast models. The planned pool price is estimated on the basis of a number of decisive factors such as the costs and outputs of technologies and demand for electricity, among others.
- The prices at which electricity and gas are sold are determined on the basis of the prices established in sales contracts and future energy prices.
- Fuel costs are estimated taking into consideration existing supply contracts, and long-term forecasts are made for oil, gas and coal prices based on forward markets and estimates available from analysts.
- Fixed costs: these are projected considering estimated levels of activity for each company in terms of trends in personnel, as well as other operating and maintenance costs, forecast inflation and long-term maintenance contracts or other types of contracts.
- External sources (e.g. analysts, domestic and international official bodies, etc.) are always used to compare macroeconomic assumptions, such as price trends, growth in gross domestic product (GDP) and changes in demand, inflation, interest rates and exchange rates, among other things.

e.4. Impairment test.

- Mainland coal-fired thermal power plants.

During 2019 there was a profound change in the market conditions affecting coal-fired thermal power plants, deriving basically from international commodity prices and the effectiveness of the new mechanisms for regulating the market for CO₂ emission rights, which displaces the plants with the highest volume of emissions in favour of other technologies. In view of this structural situation ENDESA's mainland coal-fired thermal power plants are no longer competitive, and therefore their operation in the electricity generation market is not possible, as developments have shown.

In this context, on 27 September 2019 ENDESA decided to discontinue the operation of these facilities, in accordance with the established administrative and legal procedures. This decision entailed:

- Bringing forward the planned closing date of the thermal power plants involved, the economic useful life of which had previously been projected until 2035.
- Recognising a provision for the dismantling, removal or rehabilitation of the fixed assets concerned, including the expected costs of carrying out these operations until closing date, which, at 31 December 2019, were estimated at Euros 459 million (see Notes 6.4 and 16.3).
- Re-evaluating whether to go ahead with certain investments committed to in these plants to meet the emission limits established by the Industrial Emissions Directive (IED) (Directive 2010/75/EU of 24 November 2010).

- Developing a specific management model for these assets, geared to different objectives from those of other mainland generation assets in that it was expected that they would cease to generate cash flows, or that these would tend to zero, so that there would be no interdependence with the flows generated by the other generation technologies (combined cycle, fuel oil, nuclear and renewable including hydroelectric) which are managed in an integrated way within the Generating Cash Unit (CGU) of the Iberian Peninsula. Therefore, the assets of the mainland coal-fired power plants ceased to form part of the Iberian Peninsula Generation CGU in 2019, and the impairment test was carried out individually on each coal-fired power plant.
- Evaluating the recoverability of these assets and consequently recognising an impairment loss of Euros 1,366 million, taking into account that the cash flows from these plants are expected to be negative for the remainder of their lives, both overall and on an annual basis (see Notes 6.4, 9 and 28).

In financial year 2020 the update of the provision for impairment of the mainland coal-fired power plants in accordance with the decision adopted on 27 September 2019 to discontinue their operation led to the recognition of a net reversal in the amount of Euros 17 million (see Notes 6.4 and 28).

- CGUs for each of the Non-mainland Territories (“TNP”) (Balearic Islands, Canary Islands and Ceuta and Melilla).

On 28 December 2019, Order TEC/1260/2019 of 26 December 2019 was published. It establishes the technical and economic parameters to be used in calculating remuneration for electricity production in Non-mainland Territories (“TNP”) with additional remuneration regimes during the 2020-2025 regulatory period (see Note 4). This revision of technical and economic parameters implied for ENDESA, among other things, a decrease in the remuneration of operating and maintenance costs for the 2020-2025 regulatory period, and as a consequence, the recoverable amount of the CGUs of each of the Non-mainland Territories (“TNP”) (Balearic Islands, Canary Islands and Ceuta and Melilla) was lower than its carrying amount, for which reason an impairment loss was recognised in the Consolidated Income Statement for a total amount of Euros 404 million (see Notes 6.4, 9 and 28).

At 31 December 2020 a re-estimate of the recoverable value of the assets of the Non-mainland Territories (“TNP”) was carried out, taking into account, among other aspects, the publication on 7 August 2020 in the Official State Gazette (“BOE”), of Order TED/776/2020 of 4 August 2020 revising the product and logistics prices to be used in determining the price of fuel and establishing a maximum value for the start-up settlement time per standard facility applicable to production facilities located in Non-mainland Territories (“TNP”) covered by the additional remuneration regime (see Note 4). As a consequence of this re-estimate, an impairment of the CGUs of each of the Non-mainland Territories (“TNP”) was recognised for a total amount of Euros 338 million (see Notes 6.4 and 28).

e.5. Sensitivity analysis.

At 31 December 2020, ENDESA carried out a sensitivity analysis on the results of the impairment tests described using the reasonable variations of the main key assumptions detailed below:

| | 31 December 2020 | |
|---------------------------------|------------------|----------|
| | Increase | Decrease |
| Discount rate | 50 bps | N/A |
| Growth rate | N/A | 50 bps |
| Pool Price | N/A | 5% |
| Operating and Maintenance Costs | 5% | N/A |
| Investment in Maintenance | 5% | N/A |
| Electricity Demand | N/A | 1% |

At 31 December 2020, as a result of this sensitivity analysis, it was concluded that an adverse change in the key assumptions used within the ranges considered, holding the rest of the variables unchanged, would not result in an impairment of assets, except in the case of the assets of the CGUs of the Non-mainland Territories, the carrying amount of which was adjusted to bring it into line with their value in use.

Additionally, given the current economic uncertainty and the difficulty of estimating reasonable changes in the aforementioned assumptions, following the recommendations of the European Securities and Markets Authority (ESMA), ENDESA decided to stress the sensitivity analysis of the discount rate with respect to the sensitivity analysis of previous years. For this purpose, it has stressed the sensitivity analysis considering an increase in the discount rate of 100 b.p., concluding that, keeping the rest of the variables unchanged, it would not result in an impairment of assets, except for the assets of the Cash Generating Units (CGUs) of Generation of the Non-mainland Territories (“TNP”) of the Balearic Islands, Canary Islands, Ceuta and Melilla, whose carrying amount has been adjusted to the value in use (see Notes 2.2.1 and 38).

As a result, at 31 December 2020, the sensitivity of the value in use of these Cash Generating Units (CGUs) to fluctuations in the main key assumptions, all other variables remaining constant, is as follows:

| Millions of euros | 31 December 2020 |
|---|---------------------|
| Increase of 50 b.p. in Discount Rate | (35) |
| Increase of 100 b.p. in Discount Rate | (69) |
| Decrease of 50 b.p. in the Growth Rate | (9) |
| Decrease of 5% in the Pool Price | NA |
| Increase of 5% in Operation & Maintenance Costs | (79) |
| Increase of 5% in Maintenance Investments | (15) |
| Decrease of 1% in Electricity Demand | (8) |

f) Leases

A contract is, or contains, a lease if it transfers the right to control the use of an identified asset for a period of time in exchange for a consideration. At the beginning of a contract ENDESA evaluates whether it is, or contains, a lease, and analyses whether several components are included in order to account for the lease separately from the other components that do not constitute a lease.

f.1. Lessee.

When the contract contains a lease component and one or more additional components, ENDESA distributes the consideration of the contract to each component of the lease based on the relative individual price of the lease component, and the aggregate individual price of the non-lease components.

Leases in which ENDESA acts as lessee are recognised at the beginning of the contract by recognising in the Consolidated Statement of Financial Position a right-of-use asset representing the right to use the leased asset and a liability for the present value of the obligation to make lease payments during the term of the lease.

The initial value of the leased asset will comprise the amount of the initial valuation of the lease liability, as well as any lease payment made on or before the start date, discounting any lease incentive received, plus any initial direct costs incurred and an estimate of the costs that will be incurred when dismantling and eliminating the underlying asset, rehabilitating the place where said asset is located or returning it to the condition required under the contract.

To determine the lease term ENDESA considers the non-revocable period of the contract except for those contracts in which it has a unilateral option to extend or terminate early, in which case the extension or early termination period is used if there is reasonable certainty that such option will be exercised. In this regard, ENDESA uses the time horizon envisaged in the budget process.

After the initial recognition, ENDESA values the right-of-use asset at cost less accumulated amortisation and any impairment losses, also adjusting for any change in the valuation of the associated liabilities for leases. The asset is depreciated in the same way as other similar depreciable assets if there is reasonable certainty that the lessee will acquire title to the asset at the end of the lease term. If there is no such certainty, the asset is depreciated over the shorter of its estimated useful life and the lease term.

The initial value of the lease liability is calculated, on the date of commencement of the lease, as the value of future payments discounted, in general, at the implied interest rate of the contract. If the implied interest rate of the lease is not available, ENDESA uses the incremental rate of its loans, considering the term of the contract and the underlying asset type. These payments will include fixed or substantially fixed payments, less any lease incentive to be received by ENDESA, as well as variable payments that depend on an index or rate, the amounts that ENDESA expects to pay for guarantees of the residual value of the underlying asset, the exercise price of the purchase option if ENDESA is reasonably certain that it will exercise it and the penalty payments for termination of the lease if the lease term reflects the exercise by ENDESA of the early cancellation option.

Subsequently, the lease liability is increased to reflect the accumulation of interest and is reduced by the lease payments made. Subsequently, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is recognised as an expense and distributed over the lease term so as to obtain a constant interest rate each year applicable to the remaining balance of the liability.

The lease liability must be reassessed when certain changes in payments occur such as changes in the lease term or changes in future payments. In these cases, generally, the amount of the reassessment of the lease liability must be recognised as an adjustment to the right-of-use asset.

Variable lease rentals, as well as contingent rentals when they are likely to be incurred, are recognised as expense in the Consolidated Income Statement.

ENDESA has chosen not to apply the aforementioned requirements to short-term leases and leases in which the underlying asset is of low value (less than USD 5,000). For these cases, the amounts accrued are recognised as an expense on a straight-line basis over the term of the lease.

f.2. Lessor.

For a contract that contains a lease component and one or more additional lease components or components that are not leases, ENDESA distributes the consideration of the contract in the same way as for ordinary revenue from contracts with customers (see Note 3o.1).

Leases that transfer substantially all the risks and benefits inherent in ownership are classified as finance leases. All other leases are classified as operating leases.

Finance leases are recognised at the beginning of the contract, recognising a financial asset for the present value of the minimum payments to be received for the lease plus the residual value of the asset, even if not guaranteed, discounted at the implied interest rate of the contract. The difference between the financial asset recognised and the amount receivable, corresponding to unearned interest, will be charged to profit and loss for the year in which the interest accrues, in accordance with the effective interest rate method.

In operating leases ENDESA recognises the lease payments as income on a straight-line basis.

f.3. Sale and leaseback transactions.

ENDESA applies the criteria for the recognition of ordinary income from contracts with customers to assess whether the sale of the asset should be recognised (see Note 3o.1).

If the criteria for recognising a sale are met, ENDESA recognises the right-of-use asset deriving from the subsequent lease as a proportion of the previous carrying amount of the asset relative to the rights retained, recognising as a loss or gain only that relating to the rights transferred to the buyer.

If the criteria for recognising a sale are not met, ENDESA continues to record the asset and recognises a financial liability for the consideration received (see Note 3g.4).

g) Financial instruments.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

g.1. Financial assets.

For valuation purposes, ENDESA classifies its financial assets at the date of their initial recognition, taking into account both their business model and the characteristics of the contractual cash flows, whether permanent or temporary, excluding investments accounted for using the equity method (see Notes 3h and 10.1) and held-for-sale investments, in the following categories:

- Financial assets measured at amortised cost: they are recognised at amortised cost, if they are managed with a business model the objective of which is to hold financial assets to receive contractual cash flows and the contractual conditions give rise, on specified dates, to cash flows that are only payments of principal and interest on the outstanding principal amount. In the initial recognition, the amortised cost corresponds to the initial fair value, less repayments of principal made, plus accrued uncollected interest calculated using the effective interest rate method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability.
- Financial assets at fair value with changes through profit and loss: they are initially recognised at fair value if they are managed with a business model the objective of which is to obtain contractual cash flows and sell financial assets, and the contractual conditions give rise, on specific dates, to cash flows that are only payments of principal and interest on the outstanding principal amount. The initial recognition at fair value includes transaction costs directly attributable to the acquisition. In subsequent periods, these assets are measured at fair value, with any losses or gains being recognised in the consolidated statement of comprehensive income, although the accrued interest is recognised in the Income Statement. The amounts recognised in the consolidated statement of comprehensive income are transferred to the Income Statement at the time of the derecognition of the financial assets.
- Financial assets that must be at fair value with changes through profit and loss include financial assets held for trading, which are originated or acquired for the purpose of realising them in the short term or are part of a portfolio of identified financial instruments, which are managed jointly and there is evidence of actions to obtain short-term gains or they are derivative financial instruments that do not meet the definition of a financial guarantee contract and have not been designated as hedging instruments. They are initially recognised at fair value plus transaction costs directly attributable to the transaction. In subsequent periods, these assets are measured at fair value, with any losses or gains being recognised in the Consolidated Income Statement.

ENDESA has designated equity instruments in this category.

Purchases and sales of financial assets are recognised on the trade date.

The criteria for recognising impairment of financial assets are described in Note 3g.3.

g.2. Cash and cash equivalents.

Cash and cash equivalents in the Consolidated Statement of Financial Position comprises cash in hand, demand deposits and other short-term highly liquid investments that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Bank overdrafts are recognised in the Consolidated Statement of Financial Position as bank borrowings.

g.3. Impairment of financial assets

In order to determine the need to recognise an impairment loss on financial assets, ENDESA applies the expected credit loss method, in accordance with the following procedure:

- In the case of financial assets that have a commercial origin, accounts receivable for leases and contractual assets deriving from contracts with customers included in the "Financial assets measured at amortised cost" category, the expected credit losses during the life of the financial assets are determined collectively, grouped by type of customer and market.

The non-payment percentages are calculated separately for each of the groups identified, grouped by maturity, type of customer and market, based on the historical experience of non-payment for the last 36 months and taking into account the probability of an unpaid item's evolving through the subsequent statuses up to write-off.

- The following aspects are taken into consideration for the other financial assets:
 - For financial assets in which there is an individualised identification of the counterparty, an individual assessment is made of both the probability of non-payment and the loss in case of non-payment. The expected loss is calculated by multiplying both factors by the net exposure in case of non-payment.
 - For those assets with a large volume and similar characteristics, they are grouped by nature and an estimate of the expected loss of the whole is made.

Notwithstanding the foregoing, expected credit losses on assets for which there is objective evidence that ENDESA will not be able to recover all the amounts in accordance with the original terms of the contracts are determined individually.

When evaluating whether the risk has increased significantly for a financial asset or group of financial assets, ENDESA uses the modification in the non-payment risk that will occur during the expected life of the instrument.

ENDESA recognises impairment losses on financial assets at amortised cost by means of an adjustment account. The carrying amount is eliminated against the adjustment account when the impairment is deemed to be irreversible. Impairment losses on trade receivables, leases and contractual assets deriving from contracts with customers are recognised as expense under "Depreciation, Amortisation, and Impairment Losses" in the Consolidated Income Statement and on other financial assets they are recognised as an expense under "Financial Expense" in the Consolidated Income Statement (see Notes 28 and 29, respectively). Subsequent reversals of impairment losses are limited to what the amortised cost of the assets would have been if no impairment loss had been recognised. If the impairment is irreversible, the carrying amount of the financial asset is eliminated against the adjustment account.

At the date of formulation for issue of these Consolidated Financial Statements all material past-due financial assets were of a trading nature (see Note 19.5).

g.4. Financial liabilities other than derivatives

For valuation purposes, ENDESA classifies its financial liabilities at the date of initial recognition:

- Financial liabilities at amortised cost: which include interest-bearing loans and borrowings and trade and other payables, and are initially recognised at the amount received, net of transaction costs. In subsequent periods, these liabilities are measured at amortised cost using the effective interest method (see Note 3g.1).
- Financial liabilities at fair value: they are initially recognised at fair value, which is the price of the transaction. Costs incurred on the transaction are recognised as expense as they are incurred. After their initial recognition, these financial liabilities are recognised at fair value, any changes being recognised through profit and loss

In the special case where the liabilities are the underlying of a fair value hedge derivative, they are exceptionally measured at the fair value of the portion of the risk hedged.

To calculate the fair value of debt, for the purpose of recognition in the Consolidated Statement of Financial Position and for disclosure of fair value included in Note 17.1, debt is divided into debt bearing interest at a fixed rate and debt bearing interest at floating rates:

- Fixed-rate debt is that on which fixed-interest coupons established at the beginning of the transaction are paid explicitly or implicitly over its term.
- Floating-rate debt is that issued at a variable interest rate, i.e. each coupon is established at the beginning of each period on the basis of the reference interest rate. All these liabilities are measured by discounting the expected future cash flows using the market interest rate curve associated with the payment currency.

ENDESA has confirming transaction arrangements with a number of financial entities (see Note 22). ENDESA applies the criteria set forth in Note 3g.7 in assessing the write-off of the original liability to trade creditors and recognition of a new liability to financial institutions. Trade payables for which settlement is managed by financial institutions are recognised under "Trade and other payables" in the Consolidated Statement of Financial Position insofar as ENDESA has granted only the management of payment to financial institutions and remains primarily liable for payment of the debts to trade creditors.

g.5. Derivatives and hedging transactions

The derivatives held by ENDESA relate mainly to transactions arranged to hedge interest rate risk, foreign currency risk or the price risk on commodities such as fuel oil and on electricity, CO₂ emission rights, CERs and ERUs, the purpose of which is to eliminate or significantly reduce these risks in the underlying hedged transactions.

Derivatives are measured at their fair value at the end of the reporting period. When their fair value is positive, they are carried under financial assets, current or non-current depending on their maturity and the intention of holding the derivative until maturity, if they are financial derivatives, and under trade and other receivables if they are commodity derivatives. When their fair value is negative, they are carried under interest-bearing loans and borrowings, current or non-current depending on their maturity and the intention of holding the derivative until maturity, if they are financial derivatives, and under "Trade payables and other current liabilities," if they are commodity derivatives.

Changes in fair value are recorded in the Consolidated Statement of Income, unless the derivative has been designated for accounting purposes as a hedging instrument and the conditions established by International Financial Reporting Standards (IFRS) for applying hedge accounting are met, in which case it is recorded as follows:

- Fair value hedges: The portion of the underlying for which the risk is being hedged and the hedging instrument are measured at fair value, with gains or losses arising from changes in the fair values of both items recognised in the Consolidated Income Statement and netted under the same heading.
- Cash flow hedges: The effective portion of the gain or loss on the derivative is recognised in Other Comprehensive Income in the Consolidated Statement of Comprehensive Income (see Note 14.1.6). The cumulative gain or loss recognised in this account is transferred to the Consolidated Income Statement as and when the underlying hedged item affects profit or loss. The effects are netted under the same heading in the Consolidated Income Statement. Gains and losses on the ineffective portion of hedges are recognised directly in the Consolidated Income Statement.

A hedge is only applicable when there is a financial relationship between the hedged item and the hedging instrument, the credit risk of the hedged item does not have a dominant effect on the changes in value resulting from that financial relationship, and the hedging ratio of the hedging relationship is the same as that resulting from the amount of the hedged item that ENDESA actually uses to cover said amount of the hedged item.

ENDESA assesses at the inception of the hedging relationship and on an ongoing basis whether the relationship meets the effectiveness requirements prospectively. It also assesses effectiveness at each accounting closing or when significant changes occur that affect the effectiveness requirements.

ENDESA performs a qualitative assessment of effectiveness, provided that the fundamental conditions of the instrument and the hedged item coincide. When the underlying conditions are not fully matched, ENDESA uses a hypothetical derivative with equivalent underlying conditions to the hedged item to assess and measure ineffectiveness.

The hedge is prospectively discontinued if the hedging instrument expires or is sold, terminated or exercised or if the hedge no longer meets the criteria for hedge accounting. For these purposes, the replacement or renewal of the hedging instrument is not an expiry or termination, providing the transaction is consistent with ENDESA's risk objective.

When hedge accounting is discontinued in a cash flow hedge, the amount accumulated under "Other Comprehensive Income" in the Consolidated Statement of Comprehensive Income (see Note 14.1.6) is not recognised in the Consolidated Income Statement until the future cash flows covered occur. Conversely, the amounts accumulated under "Other Comprehensive Income" in the Consolidated Statement of Comprehensive Income are recognised in the Consolidated Income Statement when it is no longer expected that the future cash flows covered will occur.

ENDESA has entered into commodities forward sale and purchase contracts, mainly for electricity and fuel. In general, these contracts are carried in the Consolidated Statement of Financial Position at their market value at the reporting date, with any increases or decreases in value recognised in the Consolidated Income Statement, except when all the following conditions are met:

- The sole purpose of the contract is for own use, i.e. In the case of purchases of fuel, to generate electricity, in that of the purchase of electricity and gas for supply, its retail sale, and in the case of sales of electricity or gas, sales to end customers.
- ENDESA's projections support the purpose of these contracts as for own use.
- Past experience of the contracts indicates that contracts have been for own use, except on rare occasions where another use has been necessary as a result of exceptional circumstances or due to logistics management that ENDESA cannot control or predict.
- The contract does not provide for net settlement and there has not been past practice of net settling of similar contracts.

ENDESA evaluates whether derivatives are embedded in its contracts and financial instruments to determine whether their characteristics and risks are closely related to those of the host contracts providing the overall contract is not recognised at fair value. If their characteristics and risks are not closely related, the derivatives are recognised separately, with changes in value recognised in profit and loss.

The fair value of the various derivative financial instruments is calculated as follows:

- For derivatives quoted on an organised market, their quoted value at the end of the period.
- In the case of derivatives not quoted on an organised market, ENDESA carries out valuations using internal tools and calculates the fair value of financial derivatives taking account of observable market variables, by estimating future cash flows discounted to present value using zero-coupon yield curves for each currency on the last working day of each close, translated to Euros at the exchange rate in force on that day. Once the gross market value has been obtained, a "Debt Valuation Adjustment (DVA)" is made in respect of own credit risk and a "Credit Valuation Adjustment (CVA)" in respect of counterparty risk. The measurement of CVA/DVA is based on potential future exposure of the instrument (creditor or debtor position) and the risk profile of the counterparties and that of ENDESA itself. In 2020 and 2019, the value of the Credit Valuation Adjustments (CVA) for counterparty risk and the Debt Valuation Adjustments (DVA) for own credit risk were not significant.

In accordance with the procedures described above, ENDESA classifies the various financial instruments in accordance with the levels indicated in Note 3p (see Note 18.6).

g.6. Financial guarantee contracts

Financial guarantee contracts, meaning the guarantee deposits and guarantees given to third parties by ENDESA, are initially recognised at fair value, which, unless there is evidence to the contrary, is the premium received plus the present value of any cash flows to be received.

Subsequently, financial guarantee contracts are measured as the difference between:

- the amount of the liability determined in accordance with the accounting policy for provisions (see Note 3k) and
- the amount of the initially recognised asset less the portion, if any, taken into consolidated profit and loss on an accrual basis.

g.7. Derecognition of financial assets and liabilities

Financial assets are derecognised from the Statement of Financial Position when:

- the contractual rights to the cash flows from the financial asset have expired or been transferred or ENDESA has assumed a contractual obligation to pay these cash flows to one or more beneficiaries; and
- ENDESA has substantially transferred all the risks and rewards inherent in ownership, or, if it has neither substantially transferred nor them, it does not retain control of the asset.

In 2020 and 2019, ENDESA entered into receivables transfer agreements which are considered as factoring without recourse as it transferred the risks and rewards inherent in ownership of the financial assets transferred (see Notes 12.1 and 30).

Transactions in which ENDESA retains substantially all the risks and rewards inherent in ownership of a transferred financial asset are accounted for by recognising the consideration received as a liability. Transaction costs are recognised in the Consolidated Income Statement using the effective interest rate method.

Financial liabilities are derecognised from the Statement of Financial Position when they are extinguished, that is, when the obligation deriving from the liability has been settled or cancelled or has expired.

g.8. Offsetting financial assets and financial liabilities

A financial asset and a financial liability will be offset when the Company has a legally enforceable right to set off the recognised amounts and has the intention of settling the net amount or of simultaneously realising the asset and settling the liability (see Note 18.5).

These rights will be legally enforceable only in the normal course of the company's business, or in the event of non-compliance, insolvency or bankruptcy of the counterparty.

g.9. Reclassification of financial assets and liabilities.

Financial assets are subject to reclassification when the business model for managing them is modified. The effect in the Income Statement and in the Statement of Comprehensive Income is detailed below:

- Reclassification from amortised cost to fair value with changes through profit and loss: the difference between the fair value and the carrying amount is recognised in profit and loss. From that date on the Group does not recognise the interest from the financial asset separately.
- Reclassification from fair value with changes through profit and loss to amortised cost: the fair value at reclassification date is considered to be the new gross book value for purposes of applying the effective interest rate method and recognising credit losses.

- Reclassification from amortised cost to fair value with changes through Other Comprehensive Income (OCI): the difference between the fair value and the carrying amount is recognised in OCI. The effective interest rate and the recognition of expected credit losses are not adjusted by the reclassification. However, the accumulated amount of the expected credit losses is recognised in OCI.
- Reclassification from fair value with changes through OCI to amortised cost: recognised at its fair value. The deferred amount in the Other Comprehensive Income is adjusted to the carrying amount of the asset. The effective interest rate and the recognition of expected credit losses are not adjusted by the reclassification.
- Reclassification from fair value with changes through profit and loss to fair value with changes through Other Comprehensive Income: the effective interest rate and the expected credit losses are determined on the date of reclassification at their fair value at that date.
- Reclassification from fair value with changes through OCI to fair value with changes through profit and loss: the amount deferred in equity is reclassified to profit and loss. From that date on the Group does not recognise the interest from the financial asset separately.

Financial liabilities are not subject to reclassification.

h) Investments accounted for using the equity method

Investments in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment is carried in the Consolidated Statement of Financial Position at ENDESA's share of the investee's equity, adjusted, where applicable, to eliminate intragroup transactions, plus unrealised gains relating to the goodwill paid on acquisition of the company.

If the resulting amount is negative, the investment is carried at zero in the Consolidated Statement of Financial Position, unless ENDESA is required to restore the company's equity, in which case the corresponding provision for liabilities and charges is recognised as a liability in the Consolidated Statement of Financial Position (see Note 10.1).

Dividends received from these companies are deducted from the value of the investment, while ENDESA's share of the profit or loss of these companies based on its percentage of ownership is recognised in the Consolidated Income Statement under net profit from companies accounted for using the equity method.

After the equity method has been applied, for investments the value of which includes unrealised gains relating to the goodwill paid on acquisition of the company, or those that may otherwise show signs of impairment, the recoverable value of the investment is calculated and, if this is less than the carrying amount, impairment is recognised for the difference between the recoverable value of the associate or the joint venture, and the carrying amount.

The recoverable amount is calculated as the higher of the fair value less costs to sell of ENDESA's interest in the investee and ENDESA's proportional share of the present value of the future cash flows that the company is expected to generate less the company's debt at reporting date.

If after the value of the investment has been reduced, additional losses should arise as a result of legal or implied obligations, they will be recognised as a liability.

Appendix II to these Consolidated Financial Statements lists ENDESA's Associates and Joint Ventures at 31 December 2020 and 2019.

i) Inventories

In general, inventories are measured at the lower of weighted average acquisition cost and net realisable value.

i.1. Nuclear fuel

The cost of acquiring nuclear fuel includes the borrowing costs allocated to its financing while in process. Finance costs of Euros 1 million in 2020 and Euros 1 million in 2019 were capitalised in this respect (see Note 29). Nuclear fuel in process is transferred to operating expenses when it is loaded into the reactor and recognised in profit and loss based on the power capacity consumed in the period.

i.2. CO₂ emission rights, Certified Emission Reductions (CERs) and Emission Reduction Units (ERUs).

ENDESA companies that emit CO₂ in their electricity generation activity must deliver CO₂ emission rights, specifically European Union Allowances (EUAs) equal to their emissions during the year in the first few months of the following year.

They can also use Certified Emission Reductions (CERs) and Emission Reduction Units (ERUs) for other purposes, such as voluntary emission compensation.

Therefore, the principle for recognising CO₂ emission rights, CERs and ERUs is to recognise them as inventories, as follows:

- CO₂ emissions rights held in cover of emissions are valued at the lower of the average weighted acquisition price and the net realisable value.
- CO₂ emissions rights held for trading constitute a trading portfolio, and are recognised at their fair value less selling costs, with changes through profit and loss.

j) Deferred income

j.1. Grants related to assets.

They are recognised when there is reasonable certainty that the conditions associated with them will be met. These amounts are recognised under deferred income in the Consolidated Statement of Financial Position and taken into profit and loss under other operating income over the useful lives of the assets.

j.2. Rights for Extension Works and Facilities transferred from customers.

ENDESA receives legally established compensation for the amounts paid for the construction or acquisition of certain facilities or, in some cases, is assigned the facilities directly in accordance with the legislation currently in force. The items included under this heading are:

- Facilities transferred from customers, which corresponds to the valuation of distribution facilities transferred by customers and the income received by third parties other than official bodies, related to newly expanded facilities necessary to meet requests for new supplies or expansion of existing supplies.
- Rights for Extension Works related to new installation extensions which the distributor must make in accordance with requested voltage and power, within legally established limits, which are necessary to allow for new supply and extensions to the existing grid. These Rights for Extension Works are regulated up to and including 2000 by Royal Decree 2949/1982 of 15 October, from 2001 by Royal Decree 1955/2000 of 1 September, and since 2013 by Royal Decree 1048/2013 of 27 December.

Both the tangible asset and the deferred income are recognised at the fair value of the asset on the date on which it is transferred and taken into profit and loss over the useful life of the asset, thereby offsetting the related depreciation charge.

j.3. Liabilities from contracts with customers

ENDESA presents contracts with customers as a contract liability to reflect in the Consolidated Statement of Financial Position the obligation to transfer goods or services for which consideration has been received from the customer (or for which consideration is receivable from the customer).

k) Provisions.

Liabilities existing at the date of the Consolidated Statement of Financial Position and arising from past events which are likely to have a negative impact on ENDESA's equity but the amount and settlement date of which are uncertain, are recognised as provisions in the Consolidated Statement of Financial Position at the present value of the most likely amount that ENDESA will have to disburse to cancel the obligation.

ENDESA also recognises provisions for liabilities arising from ongoing lawsuits and termination benefits, deposits and similar guarantees and to cover risks.

Provisions are made based on the best information available at the date of preparation of the Consolidated Financial Statements on the most likely outcome of the event for which provision is required and are re-estimated at the end of each reporting period.

k.1. Provisions for pensions and other similar provisions.

For defined benefit plans, the companies recognise the expenditure relating to these obligations on an accrual basis over the working life of the employees by performing actuarial studies at the reporting date, calculated using the projected unit credit method. Provisions for defined benefit plans represent the present value of the accrued provisions after deducting the fair value of the qualifying plan assets. The actuarial losses and gains arising from the measurement of plan liabilities and assets are recognised directly, net of the related tax effect, in Other Comprehensive Income in the Consolidated Statement of Comprehensive Income (see Note 14.1.7).

For each of the plans, if the difference between the actuarial liability for the services provided and the plan assets is positive, this difference is recognised under "Non-Current Provisions: Provisions for Pensions and other Similar Provisions" on the liabilities side of the Consolidated Statement of Financial Position, and if negative, under "Non-Current Financial Assets: Loans and Other Receivables" on the assets side of the Consolidated Statement of Financial Position, in this latter case providing this difference is recoverable by ENDESA, usually through a deduction from future contributions taking into consideration the limits set by paragraph 57 (b) of IAS 19 Employee Benefits and IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The effect of the application of this limit is recognised, net of the tax effect, under Other Comprehensive Income in the Consolidated Statement of Comprehensive Income (see Notes 14.1.7 and 16.1).

Contributions to defined contribution plans are recognised as an expense in profit and loss as employees provide their services.

Post-employment plans that have been fully insured and for which ENDESA has therefore transferred all the risk are considered to be defined contribution plans and consequently no actuarial liabilities or plan assets are taken into account.

k.2. Provisions for workforce restructuring plans.

ENDESA recognises termination or suspension benefits when there is an individual or group agreement with the employees that will enable the employees, unilaterally or by mutual agreement with the company, to cease working for ENDESA or temporarily suspend the employment contract in exchange for compensation or consideration. Where mutual agreement is required, a provision is recognised only in situations in which ENDESA has decided to give its consent to the termination of employment and this consent has been notified to the employee either individually or collectively to employee representatives. In all cases in which these provisions are recognised there is an expectation on the part of employees that these early retirements will take place, official notification by the Company to the employee or to the employee's representatives and it is unlikely that there will be significant changes to the plan.

ENDESA has workforce reduction plans, which arose as part of the corresponding workforce reduction plans approved by the government or in agreements drawn up with employee representatives. The plans guarantee payment of an indemnity or maintenance of regular payments during the period of early retirement or suspension of the employment contract.

The Company recognises the full amount of the expenditure relating to these plans when the obligation materialises, meaning when the company is unable to prevent the disbursement, depending on the commitments undertaken with the employee or the employee's representatives. These sums are determined, where appropriate, from actuarial surveys conducted to calculate the actuarial obligation at period-end. The resulting actuarial gains and losses are recognised in the Consolidated Income Statement.

k.3. Provision to cover the cost of CO₂ emission rights

ENDESA companies that generate CO₂ emissions in their electricity generation activity must deliver CO₂ emission rights equal to their emissions during the year in the first few months of the following year. Companies can also use Certified Emission Reductions (CERs) and Emission Reduction Units (ERUs) for voluntary compensation.

The obligation to deliver CO₂ emission rights for the emissions of the previous year is recognised under Other Current Provisions in the Consolidated Statement of Financial Position, the corresponding cost having been recognised in profit and loss under Other Variable Procurements and Services (see Notes 23 and 25.3 respectively). This obligation is recognised in the same amount as the CO₂ emission rights to be delivered to cover this obligation under "Inventories" in the Consolidated Statement of Financial Position (see Note 3i.2).

If at the reporting date ENDESA does not hold all the CO₂ emission rights, CERs, or ERUs required, the cost and the corresponding provision are recognised on the basis of a best estimate of the price that ENDESA will have to pay to acquire them. When a more appropriate estimate does not exist, ENDESA estimates the acquisition price for the allowances not held by it as the market price at the reporting date.

k.4. Provisions for decommissioning costs

ENDESA recognises a provision for the expected cost of dismantling some of its plants and certain electricity distribution facilities (see Notes 3a, 3b and 16.3). Changes in provision resulting from re-calculations of present value are recognised as financial expenses in profit and loss (see Note 29).

The interest rates applied for the corresponding DCF exercise, depending on the remaining useful life of the associated asset, have been placed in the following ranges:

| % | 2020 | 2019 |
|---------------|-----------|-----------|
| Discount Rate | 0.0 - 1.1 | 0.0 - 1.3 |

k.5. Onerous contracts.

In the case of contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it (onerous contracts), ENDESA recognises a provision for the present value of the difference between the costs and benefits foreseen.

At 31 December 2020 and 2019 there were no provisions for onerous contracts.

l) Translation of foreign currency balances

Transactions in currencies other than the functional currency of each company are recognised in the functional currency by applying the exchange rates in force at the transaction date. During the year, differences arising between the balances translated at the exchange rate at the transaction date and those translated at the exchange rate at the date of collection or payment are recognised as financial income or financial expenses in the Consolidated Income Statement (see Note 29).

Balances receivable or payable at year-end denominated in currencies other than the functional currencies in which the financial statements of the consolidated companies are denominated are translated to Euros at year-end exchange rates. The resulting valuation differences are recognised as financial income or expense in the Consolidated Income Statement (see Note 29).

m) Current/non-current classification

In the accompanying Consolidated Statement of Financial Position, balances due to be settled within 12 months are classified as current and those due to be settled in a period of more than 12 months are classified as non-current.

Obligations that mature at short term but in respect of which there is an expectation of and right to, at ENDESA's discretion, long-term refinancing through credit lines available immediately and unconditionally in accordance with the financing conditions in place, and where such right exceeds 12 months from the date of the Consolidated Financial Statements, are classified as non-current liabilities. At 31 December 2020 these balances amounted to Euros 33 million (Euros 29 million at 31 December 2019) (see Note 17.2.1).

n) Income tax.

In 2020 there were two Tax Consolidation Groups in ENDESA:

- All companies in which ENEL, S.p.A. (the Italian company that heads the ENEL Group) holds an interest of at least 75%, or 70% in the case of listed investees or their subsidiaries, and which meet requirements provided for in Spanish legislation on taxation of the consolidated profits of corporate groups, form part of a consolidated tax group, the head of which is ENEL, S.p.A., its representative in Spain being ENEL Iberia, S.L.U.

The number of companies forming Tax Consolidation Group No. 572/10 at 31 December 2020 was 67 (55 companies at 31 December 2019), as detailed below:

| | | |
|---|--|--|
| ENEL Iberia, S.L.U. | ENDESA Financiación Filiales, S.A.U. | Furatena Solar 1, S.L.U. |
| ENDESA, S.A. | ENDESA Generación, S.A.U. | Gas y Electricidad Generación, S.A.U. |
| Almussafes Servicios Energéticos, S.L.U. | ENDESA Generación II, S.A.U. | Guadarranque Solar 4, S.L.U. |
| Aragonesa de Actividades Energéticas, S.A.U. | ENDESA Generación Nuclear, S.A.U. | Hidroeléctrica de Catalunya, S.L.U. |
| Aranort Desarrollos, S.L.U. | ENDESA Ingeniería, S.L.U. | Navalvillar Solar, S.L.U. |
| Baikal Enterprise, S.L.U. | ENDESA Medios y Sistemas, S.L.U. | Olivum PV Farm 01, S.L.U. |
| Baleares Energy, S.L.U. | ENDESA Operaciones y Servicios Comerciales, S.L.U. | Pampinus PV Farm 01, S.L.U. |
| Baylio Solar, S.L.U. | ENDESA Red, S.A.U. | Parque Eólico A Capelada, S.L.U. |
| Bogaris PV1, S.L.U. | ENDESA X, S.A.U. (in liquidation) | Parque Eólico Farlán, S.L.U. |
| Castiblanco Solar, S.L.U. | ENDESA X Servicios, S.L.U. | Parque Eólico Muniesa, S.L.U. |
| Dehesa de los Guadalupe Solar, S.L.U. | ENEL Green Power España, S.L.U. (EGPE) | Promociones Energéticas del Bierzo, S.L.U. |
| Dehesa PV Farm 03, S.L.U. | Energía Eólica Alto del Llano, S.L.U. | Renovables La Pedrera, S.L.U. |
| Dehesa PV Farm 04, S.L.U. | Energía Neta Sa Caseta Lluçmajor, S.L.U. | Renovables Mediavilla, S.L.U. |
| Distribuidora de Energía Eléctrica del Bages, S.A. | Energía XXI Comercializadora de Referencia, S.L.U. | Seguidores Solares Planta 2, S.L.U. |
| Distribuidora Eléctrica del Puerto de la Cruz, S.A.U. | Energías de Aragón I, S.L.U. | Sistemas Energéticos Alcohujate, S.A.U. |
| Edistribución Redes Digitales, S.L.U. | Energías Especiales del Alto Ulla, S.A.U. | Sistemas Energéticos Campoliva, S.A.U. |
| Eléctrica de Jafre, S.A. | Envatios Promoción I, S.L.U. | Sistemas Energéticos Sierra del Carazo, S.L.U. |
| Eléctrica del Ebro, S.A.U. | Envatios Promoción II, S.L.U. | Torrepalma Energy 1, S.L.U. |
| Emintegral Cycle, S.L.U. | Envatios Promoción III, S.L.U. | Unión Eléctrica de Canarias Generación, S.A.U. |
| Empresa Carbonífera del Sur, S.A.U. | Envatios Promoción XX, S.L.U. | Valdecaballero Solar, S.L.U. |
| ENDESA Capital, S.A.U. | Eólica del Cierzo, S.L.U. | Xaloc Solar, S.L.U. |
| ENDESA Energía, S.A.U. | Eólica del Principado, S.A.U. | |
| ENDESA Energía Renovable, S.L.U. | Fotovoltaica Yuncilllos, S.L.U. | |

- Following the takeover by ENDESA of Empresa de Alumbrado Eléctrico de Ceuta, S.A., in which, at 31 December 2020, it held a 96.37% stake, the Consolidated Tax Group was incorporated under number

21/02, composed of the following three companies: Empresa de Alumbrado Eléctrico de Ceuta, SA (as the parent company and representative of the Consolidated Tax Group), Empresa de Alumbrado Eléctrico de Ceuta Distribución, S.A.U. and Energía Ceuta XXI Comercializadora de Referencia, S.A.U.

ENDESA's other subsidiaries file individual tax returns in accordance with the tax legislation in force in each country.

During the financial year 2020 ENDESA acquired stakes in Parque Eólico Tico, S.L.U., Suggestion Power, Unipessoal, Lda., Tico Solar 1, S.L.U. and Tico Solar 2, S.L.U. (see Notes 2.3.1 and 5). At 01 January 2021, the companies meeting the requirements laid down by tax legislation on consolidated profits of corporate groups have been included in the consolidated tax group to which ENDESA belongs.

Income tax expense for the year is calculated as the sum of the current tax of the various companies resulting from applying the tax rate to the taxable income (tax loss) for the year, after taking into account any available tax deductions, plus the change in deferred tax assets and liabilities and tax credits for loss carryforwards and deductions. The differences between the carrying amount of assets and liabilities and their tax base give rise to deferred tax assets or liabilities, which are calculated using the tax rates that are expected to apply to the years when the assets are realised and the liabilities settled.

Income tax and changes in deferred tax assets and liabilities not arising from business combinations are recognised in profit and loss or in equity depending on where the gains or losses giving rise to them were recognised.

Deferred tax assets and tax credits are recognised only if it is considered probable that the consolidated companies will have sufficient future taxable profits against which the related deductions for temporary differences can be recovered or tax credits utilised.

Deferred tax liabilities are recognised for all temporary differences. Tax deductions arising from economic events occurring in the year reduce the income tax expense, unless there are doubts as to whether they can be realised, in which case they are not recognised until they have effectively been realised.

ENDESA also reflects the effect of uncertainty over tax treatments when determining taxable profit or loss, tax bases, tax losses, unused tax credits and the corresponding tax rates. To do this, it evaluates whether to consider each uncertain tax treatment separately or in conjunction with one or more other uncertain tax treatments, to determine the approach that best predicts the resolution of the uncertainty. When it is concluded that the tax authority is not likely to accept an uncertain tax treatment ENDESA reflects the effect of uncertainty generally using the most probable amount method, that is, the single most probable amount within a range of possible outcomes.

Liabilities and/or assets relating to uncertain tax treatments are presented as current or deferred tax assets or liabilities (see Notes 21.2 and 22).

The deferred tax assets and liabilities recognised are reviewed at the end of each reporting period in order to ascertain whether they still exist, and the appropriate adjustments are made.

Under the legislation currently in force, taxes cannot be considered definitively settled until the returns filed have been inspected by the tax authorities or the prescription period of four years has elapsed.

At 31 December 2020, the following financial years were open to inspection:

| | 31 December 2020 |
|---|---------------------------------|
| Consolidated Corporation Tax Group (No. 572/10) | 2006, 2015 and subsequent years |
| Consolidated Corporation Tax Group (No. 21/02) | 2016 and subsequent years |
| Other taxes applicable to ENDESA | 2015 and subsequent years |

During financial year 2019 the Tax Agency started a process of general verification and investigation of Consolidated Corporation Tax Group No. 572/10 for the years 2015 to 2017 and of Consolidated VAT and Withholdings Group No. 45/10 for the years 2015 to 2018. During the year 2020 the general verification and investigation process has been extended to the year 2018 for the Tax Consolidation Group with number 572/10 of the Corporate Income Tax (see Note 16.3). (see Note 16.3).

o) Recognition of income and expense.

o.1. Revenue from contracts with customers.

I. General criterion for income recognition.

As a general criterion, ENDESA recognises income from its ordinary activities in line with the delivery of the goods or the provision of the services contractually agreed on with its customers over the life of the contract and for the amount of the consideration to which it expects to be entitled in exchange for said goods or services.

In particular, ENDESA follows the following stages for the recognition of income from contracts with customers:

- Identification of the contract with the customer: To identify a contract, ENDESA ensures that the parties have approved the contract and undertake to comply with their respective obligations, identifying the rights of each of the parties, the payment terms in relation to the goods or services to be transferred, and ensuring that the contract has a commercial nature and it is probable that the consideration to which it is entitled will be collected in exchange for the goods or services that will be transferred to the customer.
- Identification of the obligations for executing the contract: At the beginning of the contract, ENDESA assesses the goods or services promised in a contract with a customer and identifies each promise to transfer to the customer as an execution obligation:
 - a) A good, service or a group of differentiated goods or services; or
 - b) A series of differentiated goods or services that are practically the same and that follow the same pattern of transfer to the customer.

A good or service promised to a customer is differentiated if the following two criteria are met:

- 1) The customer can use the good or service on its own or together with other resources that can be made easily available; and
 - 2) ENDESA's commitment to transfer the good or service to the customer is identifiable separately from other commitments contained in the contract.
- Determination of the price of the transaction: this is determined as the amount of the consideration to which ENDESA expects to be entitled in exchange for transferring the goods or services committed to with the customer, excluding the amounts collected on behalf of third parties, which could include fixed or variable amounts, such as discounts, refunds, subscriptions, incentives, bonuses and other similar concepts.
 - When the transaction price includes a variable consideration, ENDESA initially estimates the amount of the consideration to which it will be entitled, using the expected value method or the most probable amount, and only including all or part of the amount of the variable consideration to the extent to which it is highly probable that a significant reversal of the cumulative revenue recognised will not occur when, subsequently, the uncertainty over the variable consideration is resolved.
 - When estimating the transaction price, the time value of money is also taken into account if it is considered that there is a significant financing component, as well as considerations other than cash and other considerations to be paid to the customer.
 - Allocation of the transaction price among the contract execution obligations: ENDESA distributes the price of the transaction in such a way that each execution obligation identified in the contract is assigned an amount that represents the consideration it will obtain in exchange for transferring the good or service committed to in said execution obligation to the customer. This allocation is made proportionally and based on the corresponding independent sales prices of the goods and services included in each execution obligation. The best evidence of independent selling prices is their observable price, when these goods or services are sold separately under similar circumstances. When this price is not available, ENDESA estimates the amount using an approach that maximises the use of observable data, such as an adjusted valuation based on a market price, an expected cost plus a margin or using a residual approach.

- When the contract includes more than one differentiated good or service and a discount is granted on the total price, unless there is more observable evidence that the discount is fully applicable to an execution obligation, the discount is distributed proportionally among all execution obligations.
- Recognition of income as and when execution obligations are met: ENDESA recognises income as the amount of the transaction price assigned to an execution obligation as it satisfies this obligation by transferring the committed goods or services to the customer. To this end, ENDESA determines whether the execution obligation is satisfied over time or at a specific time:
 - a) An obligation is satisfied over time if the following criteria are met:
 - The customer receives and simultaneously consumes the benefits provided by ENDESA's activity as it carries it out.
 - ENDESA produces or improves an asset that the customer controls as the asset is produced or improved.
 - ENDESA produces for the customer a specific asset which cannot be given an alternative use, and has an enforceable right to consideration for the activity carried out so far.

If the execution obligation is complied with over time, ENDESA recognises the corresponding income as it meets the obligation, for which it measures the degree of progress of execution of each identified obligation.

- b) If an obligation does not meet the conditions to be fulfilled over time, the following indicators are assessed to determine that the control of the asset has been transferred to the customer:
 - ENDESA has transferred physical possession of the asset;
 - ENDESA is entitled to demand payment for the asset;
 - The customer has accepted the asset;
 - The customer has the significant risks and benefits inherent to ownership of the asset; and
 - The customer has legal ownership of the asset.

If the execution obligation is fulfilled at a specific date, ENDESA recognises the corresponding income.

If the parties agree to amend the contract, ENDESA accounts for this amendment as a separate contract if the following two conditions are met:

- The scope of the contract increases due to the incorporation of different committed goods or services; and
- The contract price is increased by an amount of the consideration that reflects the independent sale prices of the promised additional goods or services.

Otherwise, the contractual amendment is treated as an adjustment to the original contract, so that, when the amendment consists of new goods or services that are different and not at their usual selling price, the previous contract is cancelled and a new contract is created, but if the amendment consists of new goods or services that are not different, the existing contract is re-assessed.

ENDESA presents contracts with customers in the Consolidated Statement of Financial Position as an asset or a liability, depending on the relationship between ENDESA's performance and the payment made by the customer:

- A contract with a customer is presented as a liability when the customer has paid a consideration before receiving the goods or services, such that there is an obligation on the part of ENDESA to transfer goods or services to a customer for which it has already received consideration.
- A contract with a customer is presented as an asset when ENDESA has transferred goods or services to the customer before the customer has delivered the consideration, so that ENDESA has the right to the consideration for the goods or services that it has transferred to the customer. ENDESA excludes from this amount the amounts presented as accounts receivable.

II. Specific criteria for income recognition by segments.

- Generation and Supply Segment.
 - Electricity and gas sales: They are recognised as income at the date they are supplied to the customer, depending on the quantities supplied during the period, even when they have not been invoiced and according to the unit price established in the contract. Revenue income includes an estimate of the energy supplied before customers' meters have been read (see Notes 2.2 and 12).
 - Electricity sales on the wholesale market. They are recognised as income at the date they are supplied, depending on the electricity supplied and the ancillary services provided.
 - For generation from renewable sources, cogeneration and waste subject to a specific remuneration regime, income additional to the average mainland price is recognised, equivalent to said specific remuneration (see Note 4). These revenues are recorded as energy sales are transferred to the market since this additional remuneration complements the revenues from the electricity market in order to achieve the reasonable profitability set.
 - Non-mainland Territories ("TNP") generation: Remuneration is regulated (see Note 4), essentially based on the operation and availability of the facilities, part of the remuneration being received with the valuation of the energy sold at the average mainland price and the rest, up to the remuneration established, through settlements made by the Spanish Markets and Competition Commission ("CNMC"). This income is recognised at the date when electricity sales are made.
- Distribution Segment.
 - Income regulated by the electricity distribution activity: It is recognised in accordance with the regulatory framework of the Electricity Sector in Spain, which establishes the remuneration by Ministerial Order once per year (see Note 4) and is recognised over time. The Spanish Markets and Competition Commission ("CNMC") makes arrangements for payment of the acknowledged remuneration to electricity distribution companies.

III. Principal versus Agent.

When a third party is involved in providing goods or services to a customer, ENDESA analyses whether the nature of its commitment is an execution obligation consisting of providing the goods or services itself to the customer (ENDESA acts as principal) or whether its commitment is to organise the supply of those goods or services for the third party (ENDESA acts as agent).

When ENDESA acts as principal, it recognises the revenue for the gross amount of the consideration to which it expects to be entitled in exchange for the goods or services transferred, but when it acts as an agent, it recognises the revenue for the amount of any payment or commission to which it expects to have the right in exchange for arranging the provision of its goods or services for the other party.

o.2. Other income and expense.

Interest income and expense is recognised by applying the effective interest rate method applicable to the outstanding principal over the related repayment period.

Dividends received from equity instruments are recognised as income at the date the right to receive them arises in the Consolidated Income Statement.

ENDESA recognises non-financial asset purchase or sale contracts settled net in cash or another financial instrument at their net amount. Contracts entered into and maintained for the purpose of receiving or delivering these non-financial assets are recognised on the basis of the contractual terms of the purchase, sale or usage requirements expected by the entity.

Expenses are recognised on an accrual basis. Disbursements that will not generate future economic benefits or which do not qualify for recognition as an asset are recognised immediately.

p) Fair value measurement

Fair value is defined as the price that would be collected for the sale of an asset or that would be paid for the transfer of a liability, in an orderly transaction between market players at the valuation date.

The valuation is calculated on the premise that the transaction is carried out on the main market, i.e. the market with the largest volume or activity of the asset or liability. In the absence of a main market, it is assumed that the transaction is carried out on the most advantageous market, i.e. that which maximises the amount received from selling the asset or that which minimises the amount paid to transfer the liability.

The fair value of the asset or the liability is determined by applying the assumptions that would be made by the market players at the time the price of the asset or liability is set, on the understanding that the market players are acting in their best economic interests. The market players are independent of each other, they are well informed, they can carry out a transaction with the asset or liability, and are motivated to carry out the transaction but are not in any way obliged or forced to do so.

Assets and liabilities measured at fair value may be classified on the following levels (see Note 18.6):

- Level 1: Fair value is calculated from quoted prices in active markets for identical assets or liabilities.
- Level 2: Fair value is calculated from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The methods and assumptions used to determine fair values within Level 2 by class of assets or liabilities take into account the estimate of future cash flows discounted to present value using zero-coupon yield curves for each currency on the last working day of each closing, translated into Euros at the exchange rate prevailing on the last working day of each closing. All these measurements are made using internal tools.
- Level 3: The fair value is calculated from inputs for assets or liabilities that are not based on observable market data.

ENDESA uses valuation tools to measure the fair value of assets and liabilities that are suited to the circumstances and for which sufficient data are available to appraise fair value, making maximum use of major observable variables and minimum use of non-observable variables.

q) Earnings (loss) per share

Basic net earnings per share are calculated by dividing net profit for the period attributable to the Parent by the weighted average number of ordinary shares outstanding during the period, excluding the average number of shares of the Parent Company held by ENDESA.

The basic earnings per share of continuing and discontinued operations are calculated by dividing profit after tax of continuing and discontinued operations, respectively, minus the portion corresponding to non-controlling interests, by the weighted average number of ordinary shares of the Parent Company outstanding during the period, excluding the average number of shares of the Parent Company held by ENDESA.

In 2020 and 2019, ENDESA did not perform any potentially dilutive transactions that could cause diluted earnings per share to differ from basic earnings per share (See Notes 14.1.8 and 14.1.12).

r) Dividends

Dividends are recognised when the right to collect them is generated.

Dividends are recognised as a deduction from equity on the date on which they are approved by the competent body, which is usually the Board of Directors in the case of interim dividends and the shareholders at their general meeting of shareholders in the case of dividends charged against reserves or final dividends (see Notes 14.1.8 and 14.1.10).

s) Share-based payment plans.

ENDESA has granted share-based remuneration plans to certain Group employees in senior responsible positions, whereby in exchange for the services they provide, ENDESA settles them with equity instruments. These plans are also combined with cash settlements the amount of which is based on the value of own equity instruments (see Note 34.3.5).

ENDESA recognises the services received from its own employees as "Personnel Expenses" in the Consolidated Income Statement at the time of obtaining them and, on the other hand, the corresponding increase in Equity under the heading "Other Equity Instruments" in the Consolidated Statement of Changes in Equity if the transaction is settled with equity instruments, or the corresponding liability under "Non-Current Provisions" in the Consolidated Statement of Financial Position if the transaction is settled in cash with an amount that is based on the value of equity instruments.

In transactions in which it is necessary to complete a certain period of service, the recognition is made as such services are provided over the course of that period.

In transactions with employees that are settled with equity instruments, both the services provided and the increase in equity to be recognised will be valued at the fair value of the equity instruments allocated, at the date of the grant.

Once the goods and services received have been recognised, in accordance with the provisions of the foregoing paragraphs, as well as the corresponding increase in Equity, no additional adjustments will be made to Equity after the date of irrevocability.

In transactions that are settled in cash, the goods or services received and the liability to be recognised will be valued at the fair value of the liability at the date on which the requirements for their recognition are met. Subsequently, and until its settlement, the corresponding liability will be valued at its fair value on the closing date of each year, with any valuation changes occurring during the year being recognised on profit and loss.

The fair value is determined by reference to the market value of the shares on the grant date, deducting the estimated dividends to which the employee is not entitled, during the performance period (see Note 34.3.5).

t) Treasury shares.

The treasury shares that ENDESA acquires during the year are recognised at the value of the consideration delivered in exchange as a direct deduction from Equity under Treasury Shares in the Consolidated Statement of Financial Position (see Note 14.1.8)

Losses and gains on the purchase and sale of own equity instruments are recognised directly in Equity, never in the Consolidated Income Statement.

u) Statement of cash flows

The statement of cash flows reflects the changes in cash occurring during the year in relation to both continuing and discontinued operations, calculated using the indirect method (see Note 32). The following terms are used in these statements of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, the latter meaning investments with a term of less than three months that are highly liquid and subject to an insignificant risk of changes in value (see Note 3g.2).

- Operating activities: the activities constituting ENDESA's main source of ordinary revenues, and such other activities as cannot be classified as investing or financing activities. They include dividends received as well as interest received and paid.
- Investing activities: the acquisition and disposal, purchase and sale, etc. of long-term assets and other investments not included in cash and cash equivalents. Net cash flows from/(used in) investing activities include those corresponding to losing and gaining control over Group companies.
- Financing activities: activities that result in changes in the size and composition of equity and financial liabilities. Net cash flows from/(used in) financing activities include dividends paid.

4. Industry regulation.

Law 24/2013 of 26 December 2013 on the Electricity Sector, which repeals and replaces Law 54/1997 of 27 November, which included the basic regulation of the Electricity Sector, established the new general framework for the operation of the sector and the regime of activities and agents. The most significant aspects of this scheme are the following:

- The new law introduces the basic principle of the economic and financial sustainability of the electricity system in such a way that revenues are sufficient to cover all system costs. System costs will be financed by access charges for transmission and distribution networks (to cover remuneration of both activities), charges established for payment of other costs, items from the General State Budget and any other revenue or financial mechanism that may have been established. Also:
 - Any increase in costs or reduction in revenues must be accompanied by an equivalent reduction of other costs or a revenue increase. At the same time, no charges may be revised downwards while there are cost items used to pay debt from previous years.
 - From 2014 onwards, temporary imbalances that may arise will be limited to a maximum annual amount of 2% of the estimated system revenue (or 5% in cumulative terms). Any temporary imbalances or deviations will be financed by all players taking part in the settlement system, in proportion to their remuneration. If these limits are exceeded, access fees or charges will be revised by an equivalent amount. Within these limits, any imbalance will entitle the financing parties to recover those funds in the five following years, at an equivalent market interest rate.
 - The General State Budget for each year will finance 50% of compensation for non-mainland electricity systems for that year.
- Concerning remuneration for activities, the law stipulates that remuneration for transmission, distribution and production in Non-mainland Territories ("TNP") and production from renewable energy sources, high-efficiency cogeneration and waste will be based on the costs of an efficient and well-managed company. Remuneration parameters will be established in due consideration of the cyclical situation of the economy, demand for electricity and an adequate return on these activities over six-year regulatory periods. The law establishes the remuneration of assets for the first regulatory period (which ended on 31 December 2019) as the average yield on 10Y treasury bills in the secondary market for the three months prior to entry into force of Royal Decree Law 9/2013 of 12 July 2013, plus 200 basis points for transmission, distribution and production in Non-mainland Territories ("TNP"), and plus 300 bps for production from renewable energy sources, high-efficiency cogeneration and waste. For the second regulatory period, which began on 1 January 2020, the value of the financial remuneration rate for electricity transmission and distribution activities was established by "CNMC" Circular 2/2019 of 20 November 2019, and for production activities in Non-mainland Territories ("TNP") under the additional remuneration regime and production from renewable energy sources, cogeneration and waste with a specific remuneration regime it was established by Royal Decree Law 17/2019 of 22 November 2019.

- There is no differentiation between ordinary regime and special regime power generation, without prejudice to specific considerations for certain technologies.
- The tariff applying to most domestic consumers is called the Small Consumer Voluntary Price (“PVPC”), the “Last Resort Tariff” (“TUR”) being the tariff for vulnerable consumers and those that do not meet the requirements to be eligible for the “PVPC” and temporarily do not have a current contract with a free-market supplier.

Along with this basic law, since 2012 various provisions have also been approved to reduce the deficit of regulated activities and guarantee the financial stability of the system. These include Royal Decree Law 9/2013 of 12 July 2013, adopting urgent measures to guarantee the financial stability of the electricity system and modifying, inter alia, the remuneration system for generating facilities using renewable energy sources, cogeneration and waste, and electricity transmission and distribution activities.

Additionally, Law 15/2012 of 27 December 2012, on fiscal measures for energy sustainability, which came into force on 1 January 2013, introduced new taxes (or amendments to existing taxes) affecting generating facilities. The following taxes were introduced:

- General tax on production, equivalent to 7% of total revenues.
- Tax on the production of spent nuclear fuel and radioactive waste as well as on its storage in centralised facilities.
- Levy on hydroelectric generation equivalent to 22% of revenues. This levy will be reduced by 90% for plants with installed capacity equal to or less than 50 MW and for pumped-storage hydro plants of over 50 MW. This reduction will also apply, in such form as regulations may determine, to output or facilities requiring to be incentivised for reasons of general energy policy. The rate was increased to 25.5% by Royal Decree Law 10/2017 of 9 June 2017 establishing urgent measures to mitigate the effects of drought in certain river basins and amending the current Water Law. In the case of plants with less than 50 MW capacity the reduction percentage was adjusted to compensate for the mentioned increase.
- A "green cent" tax on consumption of electricity generated using natural gas, coal, fuel-oil or diesel.

The provisions of this law stipulate that the taxes collected, along with other sums from the auction of greenhouse gas emission rights, will be used to finance the costs of the electricity system.

Along with the general provisions, the government has approved a number of different implementing regulations on the various activities associated with the supply of electrical energy.

Additionally, as a result of the energy transition process, as well as the adaptation of the functions of the Spanish Markets and Competition Commission (“CNMC”) to community regulations, the Government has approved certain changes in the current regime, described later in this report.

Royal Decree Law 1/2019 of 11 January 2019 on urgent measures to adjust the remit of the Spanish Markets and Competition Commission (“CNMC”) to the requirements of EU law in relation to Directives 2009/72/EC and 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal markets in electricity and natural gas respectively.

On 12 January 2019 the Official State Gazette (“BOE”) published this Royal Decree Law, intended to adapt the competences of the “CNMC” to EU law, following requests made by the EU authorities.

According to this Royal Decree Law, the Spanish Markets and Competition Commission (“CNMC”) will be responsible for approving, via circulars, aspects such as the structure, methodology and specific values of access tariffs for natural gas and electricity transmission and distribution networks, and for liquefied natural gas (LNG) plants; the methodology and parameters for establishing remuneration for the transmission and distribution of gas and electricity, liquefied natural gas plants (LNG), the gas System operator and technical manager, and remuneration on transmission and distribution within the maximum limit established by the government.

The Ministry for the Ecological Transition and the Demographic Challenge will approve a series of energy policy guidelines that the Spanish Markets and Competition Commission (“CNMC”) will have to take into consideration, and which will cover aspects such as security of supply, the economic and financial sustainability of the System, independence of supply, air quality, efforts to combat climate change, demand management, selection of future technologies and the rational use of energy. The Ministry for the Ecological Transition and the Demographic Challenge will have one month in which to approve circulars of the Spanish Markets and Competition Commission (“CNMC”) that affect energy policy matters or concern tariffs, remuneration of regulated activities, access and connection conditions and the rules for operating the Electricity and Gas System. In the event of any discrepancy, a Cooperation Committee will work to reach an understanding.

The new functions of the Spanish Markets and Competition Commission (“CNMC”) will apply in any case from 1 January 2020. Any procedures begun prior to this Royal Decree Law coming into force, as well as any procedure which, regardless of when it was initiated, refers to years prior to 2019, will be dealt with in accordance with previous regulations.

The Royal Decree Law also amends certain aspects of Law 24/2013 of 26 December on the electricity sector. Regarding the rate of financial remuneration for transmission and distribution, which by virtue of the Royal Decree Law will be established by the Spanish Markets and Competition Commission (“CNMC”), the government will set in law a maximum limit on its value, linked to 10-year government bonds in the 24 months prior to the month of May of the year preceding the start of each new regulatory period, plus a spread to be established for each regulatory period. If at the start of the new period this maximum threshold has not been established, the maximum threshold corresponding to the previous regulatory period will be extended, or failing that, the rate of remuneration from the previous regulatory period will be used.

As for generation operations covered by the additional remuneration regime in Non-mainland Territories (“TNP”), the rate of financial remuneration will be set by the government. This rate may be changed before the start of each regulatory period, linked to 10-year government bonds in the 24 months prior to the month of May in the year preceding the start of each new regulatory period, plus a spread to be established by law for each regulatory period. If at the start of a new regulatory period this rate of financial remuneration has not been established, that of the previous regulatory period will be deemed to be extended.

Finally, regarding facilities producing energy from renewable sources, high efficiency cogeneration, and waste, with specific remuneration regimes, in the review corresponding to each regulatory period, the value on which the reasonable rate of return over the remaining regulatory life of standard facilities is based may be amended by law.

Remuneration of the electricity distribution activity

Royal Decree 1048/2013 of 27 December 2013 was published on 30 December 2013, establishing the methodology for calculating remuneration for power distribution, developing the provisions of Royal Decree Law 9/2013 of 12 July and Law 24/2013 of 26 December 2013. These aim to provide a stable predictable methodology to guarantee, under homogeneous criteria nationwide, appropriate return at the lowest possible cost to the system. The chief aspects of this methodology are as follows:

- Investment in non-depreciated assets in service will be remunerated on the basis of the net value of the assets and a financial remuneration rate based on 10Y treasury bills plus 200 basis points, in addition to the operation and maintenance of the assets.
- There will be remuneration for the costs required to carry out distribution activities, such as meter reading, supply contract process, billing access charges and management of unpaids, customer phone service, charges for occupancy of public areas and structural costs.
- There are incentives and penalties in connection with improvements to supply quality, reducing losses on distribution networks, and a new fraud reduction incentive.

- The extra costs of specific regulations introduced by regional or local authorities will not be borne by the electricity tariff.
- Collection of the payment of remuneration for facilities commissioned in year n will start from 1 January of the year n+2, and a financial cost will be recognised.
- Mechanisms have been established to control investment. For the whole sector, the maximum volume of authorised investment has been limited to a total of 0.13% of Gross Domestic Product (GDP). Distributors will submit to the Ministry of Ecological Transition and the Demographic Challenge their yearly and pluri-annual investment plans for approval, and will also require a favourable report from the regional authorities concerned. Limits are also established for deviations from the standard, just recognising part of the extra costs, which must be duly justified and audited. Volumes of investment will also be reduced in the event of non-compliance with the plans established, and the possibility is established of early construction of a facility, provided it is already envisaged and its cost is not met by the system.

The format established in the Royal Decree will apply when the first regulatory period commences, and until that time the transitory system established in Royal Decree-Law 9/2013 of 12 July 2013 will be applicable.

On 28 November 2015, the Official State Gazette (“BOE”) published Royal Decree 1073/2015 of 27 November 2015, which amended certain provisions of Royal Decrees on the remuneration of electricity networks (Royal Decree 1047/2013 of 27 December as regards transmission, and Royal Decree 1048/2013 of 27 December as regards distribution). Among other aspects, Royal Decree 1073/2015 of 27 November eliminated the yearly update of unitary values based on the CPI, in accordance with Law 2/2015 of 30 March on de-indexing the economy.

On 12 December 2015, Ministerial Order IET/2660/2015, of 11 December was published, establishing the types of installations and unitary value to be used in calculating distribution remuneration. This Order set the beginning of the first regulatory period at 1 January 2016.

On 17 June 2016, Order IET/980/2016 of 10 June was published in the Official State Gazette (“BOE”), establishing the remuneration of the distribution activity for 2016, assigning ENDESA remuneration for this activity of Euros 2,032 million (Euros 2,040 million taking incentives into account), of which Euros 2,014 million and Euros 2,023 million respectively corresponded to Edistribución Redes Digitales, S.L.U. On 15 September 2017, the announcement of the General Sub-directorate of Appeals, Claims and Relations with the Administration of Justice was published in the Official State Gazette (“BOE”), giving notice of the hearing procedures for the order issued by the Ministry of Energy, Tourism and Digital Agenda, initiating the procedure to file a declaration of adverse effect on the public interest of Ministerial Order IET/980/2016 of 10 June.

Meanwhile, in December 2017, the then Ministry of Energy, Tourism and Digital Agenda initiated the processing of the Order establishing the remuneration of distribution for 2017, the amount corresponding to ENDESA by way of remuneration for this activity being Euros 2,116 million (Euros 2,092 million taking incentives into account), of which Euros 2,094 million and Euros 2,070 million respectively corresponded to Edistribución Redes Digitales, S.L.U.

As regards the remuneration of the distribution activity for 2018, 2019 and 2020, at the date of issue of these Consolidated Financial Statements, the processing of the corresponding Ministerial Order had yet to be started.

In accordance with Royal Decree Law 1/2019 of 11 January, the remuneration methodology from 2020 will be established by the Spanish Markets and Competition Commission (“CNMC”).

By virtue of this, the “CNMC” approved Circular 6/2019 of 5 December on the remuneration methodology for electricity distribution, which aims to establish the parameters, criteria and methodology for the remuneration of this activity in the following regulatory period. The circular contains a new remuneration formula that regroups certain items included in Royal Decree 1048/2013 of 27 December and creates new ones. Also, certain aspects of the loss, quality and fraud incentives are modified.

In relation to the financial remuneration rate for the second regulatory period, the “CNMC” approved Circular 2/2019 of 12 November, which establishes for transport and distribution of electricity a value of 5.580% (6.003% for 2020).

The amounts recognised in application of this regulation at 31 December 2020 are described in Note 18.1.1 and 24.

Non-mainland Territories (“TNP”) electricity systems.

Electricity supply activities in Non-mainland Territories (“TNP”) are subject to specific regulations addressing the particular nature of their geographical locations. These special regulations were initially developed by Royal Decree 1747/2003 of 19 December and the Ministerial Orders of 30 March 2006 implementing this Royal Decree.

The main feature of the non-mainland regulatory system was that electricity production was remunerated as a regulated activity, unlike in mainland Spain, in view of the specific features of these systems.

On 30 October 2013, Law 17/2013 of 29 October was published in the Official State Gazette. Its aim is to provide a better guarantee of supply and increase competition in Non-mainland Territories (“TNP”) electricity systems, and its main aspects are as follows:

- For reasons of safety or technical and economic efficiency, remuneration in excess of the mainland market price may be granted to new generation facilities in Non-mainland Territories (“TNP”) generation systems, even if power output required to cover demand is exceeded.
- This extra remuneration will not be granted to new facilities in a non-mainland generation system that are owned by a company or business group that owns more than 40% of the generating power in that system. An exception is made in the case of facilities awarded in competitive bidding processes for capacity from renewable energy sources holding administrative authorisation or that have been registered in the remuneration pre-assignment register. Another exception is made for investment in upgrading and improving efficiency at plants already in operation which do not entail an increase in capacity or where there are no other agents interested in developing facilities.
- The System Operator will be the owner of pumped-storage hydro plants intended to guarantee security of supply, or the integration of renewable sources. In all other cases a competitive bidding procedure will be carried out. Notwithstanding the above, any company holding a hydroelectric operating concession granted before 1 March 2013, or which had been granted administrative authorisation but had not been granted authorisation to bring the plant on stream, will retain ownership but will have to provide a guarantee for 10% of the investment and adhere to an execution timetable.
- Regasification plants must be exclusively owned by the Technical System Operator, and the facilities concerned must be transferred within six months at market price. If the facility does not have administrative authorisation, the price will be limited to the total costs actually incurred up to 1 March 2013.
- Remuneration associated with fuel costs will be established by a mechanism taking account of the principles of competition, transparency, objectivity and non-discrimination.
- A compatibility ruling by the Department of Energy Policy and Mines will be necessary for the approval of new groups, to ascertain that the facility is compatible with the technical criteria stipulated by the System Operator and economic cost-reduction criteria.
- Remuneration of facilities in non-mainland electricity systems may be reduced in the event of a substantial decrease in availability, security of supply or in the supply quality indices attributable to generating facilities. The government is also given additional powers to intervene in the electricity sector to guarantee supply in situations of risk.

On 1 August 2015, the Spanish Official State Gazette published Royal Decree 738/2015 of 31 July on Non-mainland Territories (“TNP”) generation. This Royal Decree established a scheme similar to that already in place, made up of remuneration for fixed costs, comprising investment and fixed operating and maintenance costs, and for variable costs such as fuel and other variable operating and maintenance costs, but which also takes into account, within the costs of these systems, the taxes deriving from Law 15/2012 of 27 December on tax measures for energy sustainability. Certain aspects of the methodology are changed in order to improve the efficiency of the system. The Royal Decree also implements matters already contained in Law 17/2013 of 29 October to guarantee supply and increase competition in these systems.

The Royal Decree was set to enter into force from 1 September 2015, with a transitional period from 1 January 2012 for certain measures. In accordance with the eleventh additional provision, its full and definitive effectiveness is subject to there being no objections on the part of the European Commission with respect to its compatibility with EU regulations. In this regard, on 28 May 2020 the European Commission approved the scheme established in the Royal Decree, concluding that it met the criteria of Service of General Economic Interest (SGEI) and that it was compatible with the internal market. The scheme is initially approved until 31 December 2025 in the case of the Balearic Islands, and until 31 December 2029 in the case of the Canary Islands, Ceuta and Melilla, and Spain may ask before those dates for the measures to be kept in place.

In accordance with Law 24/2013 of 26 December on the electricity sector, the rate at which net investment is financially remunerated will be linked to the yield on 10-year treasury bills in the secondary market plus an appropriate spread. For the first regulatory period, which runs until 31 December 2019, this rate will correspond to the average return of the price on the secondary market of the 10-year treasury bills for April, May and June 2013, plus 200 bps. From 1 January 2020, in accordance with Royal Decree Law 17/2019 of 22 November adopting urgent measures for the necessary adaptation of remuneration parameters affecting the electricity system and responding to the process of closures of thermal power plants, the remuneration rate has been set in the period 2020-2025 at a value of 5.580%, with the corresponding value for 2020 being 6.003%.

On 28 December 2019, Order TEC/1260/2019 of 26 December was published in the Official State Gazette (“BOE”), revising the technical and economic parameters for the remuneration of generating plants in the Non-mainland Territories (“TNP”) for the following regulatory period (2020-2025). This order sets the new values that will be applicable in the second regulatory period (2020-2025) for the various technical and economic parameters that determine the remuneration of non-mainland generation units, applying the methodology already included in Royal Decree 738/2015 of 31 July. In relation to fuel prices, on 7 August 2020, Order TED/776/2020 of 4 August was published in the Official State Gazette (“BOE”), revising the product and logistics prices to be used in determining the price of fuel, effective 1 January 2020.

Apart from this, following the ratification of Law 6/2018 of 3 July on the General State Budget (“PGE”), Order TEC/1158/2018 of 29 October envisaged the granting of the additional remuneration regime for certain facilities in Gran Canaria, Menorca and Tenerife, based on the investments that must be made in order to comply with applicable environmental regulations.

Finally, 1 October 2020 saw the publication of the Resolution of the General Directorate of Energy Policy and Mines of 19 September approving the definitive amount of the generation costs of the production activity in the Non-mainland Territories (“TNP”) for the year 2015 corresponding to the facilities owned by ENDESA. The amounts recognised in application of this regulation at 31 December 2020 are described in Notes 20 and 24.

Production from renewable energy sources, cogeneration, and waste.

Royal Decree 413/2014 of 6 June approved a new remuneration system for facilities producing electricity from renewable sources, cogeneration and waste, following Royal Decree Law 9/2013 of 12 July adopting urgent measures to ensure the financial stability of the electricity system, and Law 24/2013 of 26 December on the electricity system.

The new methodology replaces the previous regulated tariff structure with a new framework which applies the concept of reasonable return, established as a pre-tax return similar to the average yield on 10-year treasury bonds plus 300 basis points. Under this new framework, in addition to remuneration for the sale of electricity valued at market price, facilities will be eligible to receive a specific remuneration consisting of an investment component (an amount per unit of installed capacity which covers any investment costs for a standard plant that cannot be recovered through electricity sales on the market), and an operational component which covers any difference between the operating costs and the income from taking part in the production market for this standard plant.

The new remuneration system will be applied equally to facilities already in operation and new facilities. For new facilities, the granting of the specific remuneration regime will be established by means of competitive procedures.

In Non-mainland Territories (“TNP”), an incentive is established for investment to reduce costs of generation.

The regulation also establishes the terms for reviewing the various remuneration parameters. These may be only be modified, as applicable, every six years, every three years or every year. The standard value of the initial investment and the regulatory useful life of the asset will remain unchanged once they have been recognised for each standard facility.

Ministerial Order IET/1045/2014 of 16 June, approving the remuneration parameters for standard facilities applicable to certain facilities producing electricity from renewable energy sources, combined heat and power, and waste, and establishing specific values for the standard costs for each of the standard facilities defined, was published in the Official State Gazette on 20 June 2014.

Ministerial Order IET/1459/2014, of 1 August, approving the remuneration parameters and establishing a mechanism for allocating remuneration for new wind and photovoltaic facilities in non-mainland electricity systems, was published in the Official State Gazette on 5 August 2014.

Ministerial Order ETU/130/2017 of 17 February was published on 22 February 2017, updating the remuneration parameters of standard installations, for the purposes of their application to the regulatory semi-period commencing 1 January 2017.

Order TED/171/2020 of 24 February, published in the Official State Gazette on 28 February 2020, updates the remuneration parameters for standard facilities applicable to certain facilities producing electricity from renewable energy sources, cogeneration and waste, for application to the regulatory period starting on 1 January 2020. This Order updates the values that will be applicable in the second regulatory period (2020-2025) for the various parameters that determine the remuneration of these facilities, in accordance with the methodology established in the relevant general regulations, and without prejudice to the periodic update mechanisms established therein. The values of the different parameters are applicable from 1 January 2020, in accordance with the provisions of Royal Decree Law 17/2019, of 22 November. The Order also approves the market price provided for each year of the 2020-2022 semi-period.

At the same time, Royal Decree Law 17/2019 of 22 November established the reasonable rate of profitability for facilities for producing electricity from renewable sources, cogeneration and waste at 7.090% with effect from 1 January 2020, although facilities covered by the special remuneration regime before Royal Decree Law 9/2013 of 12 July came into force may maintain the current rate of 7.398% until 2031 providing they have not initiated arbitration proceedings or withdraw them if they have.

On 24 June 2020, Royal Decree Law 23/2020 of 23 June was published, approving measures in the field of energy and in other areas for economic recovery. This is dealt with later in this document. Among other things, this Royal Decree Law introduces a new model for auctions of future renewable energy developments, based on the long-term recognition of a fixed price for energy, distinguishing among different technologies.

On 5 August 2020, Orders TED/765/2020 and TED/766/2020 of 3 August, were published in the Official State Gazette (“BOE”), establishing the regulatory bases of auctions for investment aid for facilities for the production of thermal energy and electricity, respectively, from renewable sources, all of which may be co-financed with European Union funds. The aid will be granted by means of non-refundable grants through competitive bidding procedures applicable to the entire national territory, the applicable geographical scope being specified in each call for tenders. The actions must be completely finished before 30 June 2023, unless a more restrictive period is expressly established in the calls. The Institute for Diversification and Saving of Energy (“IDAE”) has already issued several calls for tenders for aid for investment in facilities through competitive bidding procedures for various regions of the country.

Subsequently, on 4 November 2020, Royal Decree 960/2020 of 3 November was published in the Official State Gazette (“BOE”), regulating the development of the new remuneration scheme for future developments of renewable energies, calling it the Renewable Energy Economic Regime (REER). This economic regime will be granted by means of auctions regulated by Ministerial Order, which will set a maximum volume of energy or power to be auctioned and may distinguish among different technologies according to their technical characteristics, size, manageability, location or technological maturity. The product to be auctioned will be the

installed power, electrical energy or a combination of both, and the price per unit of electrical energy will be offered in Euros per MWh.

Regarding the remuneration of energy, the price to be received for each unit sold in the daily or intraday market will be the bid price (for adjustment and balance services, it will be the price of the respective markets). Alternatively, incentives for participation or exposure in the market may be established, through a market adjustment percentage to be applied to the daily market price, the correction percentage of which on the price set in the auction will be defined in each call.

All the facilities of this Scheme will participate in the market and the Iberian Energy Market Operator - Spanish Division ("OMIE") will make a settlement for the differences between the prices of the daily or intraday market and the award price of the facilities.

An auction calendar will be established by Ministerial Order for a minimum period of 5 years, updateable at least annually, and which may include deadlines, frequency, capacity and technologies. This calendar was published on 5 December 2020 by means of Order TED/1161/2020 of 4 December regulating the first auction mechanism for the granting of the economic regime of renewable energies and establishing the indicative calendar for the period 2020-2025. This calendar will be updated annually and will be aimed at achieving the renewable production objectives established in the Spanish Integrated National Energy and Climate Plan ("PNIEC"). The auctions will be called by means of a Resolution of the Secretary of State for Energy. In this regard, on 12 December the Resolution of 10 December 2020, of the Secretariat of State for Energy was published in the Official State Gazette ("BOE"), calling the first auction for the granting of the economic regime for renewable energies under the aforementioned Order, envisaging a minimum of 3,000 MW, of which at least 1,000 MW will be from wind energy and 1,000 MW from photovoltaic energy. The schedule set for receiving offers ended on 26 January 2021. On 27 January 2021 the Ministry for the Ecological Transition and the Demographic Challenge published the Resolution that resolves said auction and approves the list of successful bidders, among which ENDESA, through ENEL Green Power España, S.L.U. (EGPE), has been awarded 50 MW of capacity at an award price of Euros 28.90 per MWh for a photovoltaic technology facility.

Finally, during 2020 various provisions were approved regulating auctions of investment aid for renewable facilities, which may be co-financed with funds from the European Union (European Regional Development Funds (ERDF)), both for facilities on the mainland and in the Non-mainland Territories ("TNP") or the Balearic and Canary Islands.

The amounts recognised in application of this regulation at 31 December 2020 are described in Note 18.1.1 and 24.

Self-consumption.

On 10 October 2015, Royal Decree 900/2015 of 9 October, which regulates the administrative, technical and economic requirements for supplying and generating electricity for self-consumption, was published in the Official State Gazette, thus establishing a regulatory framework to ensure the economic sustainability of the system and the appropriate sharing of system costs.

It also stipulates the tolls and charges payable for self-consumption, in accordance with Law 24/2013 of 26 December on the electricity sector, which already established that self-consumption must contribute to financing the costs and services of the system in the same amount as other consumers. There are two exceptions to this rule in which consumers are exempt from paying costs:

- Consumers in the Balearic and Canary Islands, and
- Small consumers with a contracted capacity of no more than 10 kW.

Accordingly, a register of the self-consumption facilities was created in order for the System Operator and electricity distributors to be aware of the generation facilities in their networks and thus ensure the correct operation of the Electricity System in safe conditions.

On 6 October 2018, Royal Decree Law 15/2018 of 5 October was published, amending certain aspects of the regulation of self-consumption. Specifically, self-consumption procedures were simplified and shared self-consumption made possible. Also, charges and tolls on self-consumed energy from renewable sources, cogeneration or waste were abolished. The Royal Decree Law also contains measures to simplify administrative and technical processes, especially for small-capacity facilities.

On 6 April 2019, Royal Decree 244/2019 of 5 April 2019 was published in the Official State Gazette (“BOE”), regulating the administrative, technical and economic conditions for self-consumption of electric power, in compliance with the provisions of Royal Decree Law 15/2018 of 5 October on urgent measures for the energy transition and consumer protection.

Royal Decree 244/2019 of 5 April covers the following aspects, among others:

- Together with individual self-consumption connected to an internal network, it also covers group self-consumption, whereby several consumers can connect to the same generation plant (for example, in associations of owners or among companies or industries in the same location).
- It also defines the concept of “production facility close to consumption facilities and associated with them”, which allows self-consumption to be carried out not only with generation facilities located in the same house (the current situation), but also with those located nearby.
- A simplified surplus compensation mechanism is introduced (energy generated by self-consumption installations that are not instantly consumed by the user) for installations with capacity not exceeding 100 kW and provided that they produce electricity from renewable sources. In this case, it will not be necessary, in order to obtain compensation, to become an energy producer, since the electricity supplier will compensate the user for the surplus energy in each monthly invoice, for up to 100% of the energy consumed in the month.
- In the case of group and proximity self-consumption, the distribution of energy among the associated consumers in proportion to the contracted power is provided for, and the RD contains the possibility of developing methods of dynamic distribution ratios, so that a consumer can take advantage of the surpluses of other associated consumers if the latter are not consuming their proportional shares.
- Administrative procedures are simplified for all users, especially for small self-consumers (installations up to 15 kW or up to 100 kW in the case of self-consumption without surpluses). Metering configurations are also simplified so that, in most cases, a single meter is sufficient at the border point with the distribution network.
- Finally, a monitoring system for the implementation of these facilities is established to control their impact on the operation of the System and allow their progressive safe integration.

Availability service.

On 23 November 2017, Order ETU/1133/2017 of 21 November 2017 was published, amending Order IET/2013/2013 of 31 October 2013 regulating the competitive mechanism for assigning the interruptibility demand management service.

Among other aspects, the Order amends the remuneration for the availability service, extends the service to the first half of 2018 and exempts hydroelectric plants from charges for this availability service during this period.

Order TEC/1366/2018 of 20 December, establishing electricity access tariffs for 2019, repealed the incentive for availability of Order ITC/3127/2011 of 17 November, until the capacity mechanisms are reviewed for adaptation to European regulations and the energy transition process.

“Bono Social” or Social bonus, discount rate.

Law 24/2013 of 26 December required that the subsidised electricity tariff cost must be assumed, as a public service obligation, by parent companies or vertically-integrated groups of companies carrying out electricity generation, distribution and supply activities, to assume the cost of the subsidised electricity tariff in proportion to a percentage based on both their number of supply connections to distribution grids and the number of customers supplied, set for ENDESA at 41.10% in 2016 under Ministerial Order IET/1451/2016 of 8 September.

Despite the foregoing, in the Ruling of 24 October 2016 the Contentious-Administrative Section of the Supreme Court declared the Social Bonus financing system established by Article 45.4 of Law 24/2013 of 26 December to be inapplicable, since it was incompatible with Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity, and acknowledged the right of companies to recover the amounts paid. The State administration submitted an application for dismissal of the Supreme Court Ruling, which was overruled in a motion handed down on 14 December 2016, and on 2 February 2017 an appeal was submitted against this motion before the Constitutional Court (see Note 16.3).

On 3 October and 27 December 2017, Orders ETU/929/2017 of 28 September and ETU/1288/2017 of 22 December were published, implementing the various rulings handed down in this respect and ordering the “CNMC” to pay the amounts corresponding to the Social Bonus for 2014, 2015 and 2016 (see Note 16.3).

On 24 December 2016, Royal Decree Law 7/2016 of 23 December was published to regulate the financing of the costs of the Social Bonus and other measures to protect vulnerable electricity consumers. In accordance with said Royal Decree Law, the Social Bonus will be assumed by the parent companies of the Groups of companies that develop the activity of supply of electrical energy, or by the companies themselves that do so if they are not part of any corporate group, in the percentage corresponding to the market share. This percentage will be calculated annually by the Spanish Markets and Competition Commission (“CNMC”).

On 7 October 2017, Royal Decree 897/2017 of 6 October was published, regulating the concept of the vulnerable consumer, the Social Bonus and other protection measures for domestic electricity consumers, as well as Order ETU/943/2017 of 6 October implementing Royal Decree 897/2017 of 6 October.

Among other aspects, three categories of vulnerable customers have been identified based on the average income level through the Spanish Public Income Index (“IPREM”), establishing different discount percentages according to each category. The three categories are:

- Vulnerable customers (25% discount).
- Severely vulnerable customers (40% discount).
- Severely vulnerable customers at risk of social exclusion (100% discount), classified as severely vulnerable customers for which the social services can be proved to be paying at least 50% of their bill.

This Royal Decree also regulates other aspects relating to supply and, among others, raises from two to four months the term for cutting off of supply to vulnerable customers (severely vulnerable customers at risk of social exclusion cannot be cut off as power is considered to be a basic supply).

Furthermore, on 7 April 2018, Order ETU/361/2018 of 6 April 2018 was published, amending the Social Bonus application forms established in Order ETU/943/2017 of 6 October implementing Royal Decree 897/2017 of 6 October, regulating the definition of vulnerable consumers, the Social Bonus and other protection measures for domestic consumers of electricity. Furthermore, this Order extends the existing transitional period until 8 October 2018 for consumers of electricity who, on the date of entry into force of Order ETU/943/2017, of 6 October, were beneficiaries of the Social Bonus, to prove the status of vulnerable consumer in accordance with the provisions of Royal Decree 897/2017 of 6 October. However, according to Royal Decree Law 15/2018 of 5 October, if these consumers had applied for the Social Bonus between 8 October 2018 and 31 December 2018, they could benefit from it from 8 October 2018.

Through Royal Decree Law 15/2018 of 5 October on urgent measures for the energy transition and consumer protection, the group of beneficiaries of the Social Bonus was expanded to include single-parent families as well as families with dependent second and third degree members that do not reach certain income thresholds. Further, the cases in which supply may not be cut off due to payments in arrears for vulnerable consumers were extended to include families approved by the social services with children under the age of 16, or dependent or disabled family members, these amounts being covered by those obliged to fund the Social Bonus. The maximum consumption levels with a right to a discount was also increased. With regard to beneficiaries of the previous Social Bonus, the renewal period for which ended on 8 October 2018, the Royal Decree Law established that those meeting the requirements for the new Social Bonus and applying between 8 October 2018 and 31 December 2018 would be eligible to receive the Bonus from 8 October 2018. Lastly, a thermal Social Bonus was created for heating, to be funded by the General State Budget. This Royal Decree Law contemplates the approval in 6 months of a National Strategy to Combat Energy Poverty. The Ministry for the Ecological Transition and the Demographic Challenge began a public consultation on this issue on 19 December 2018.

On 13 August 2020, Order TEC/788/2020 of 24 July was published in the Official State Gazette (“BOE”), establishing the distribution of the financing of the 2020 Social Bonus, ENDESA’s percentage being 35.57%.

Deficit of regulated activities.

Royal Decree-Laws 6/2009 of 30 April and 6/2010 of 9 April stipulated that from 2013 grid access charges established should be sufficient to cover all electricity system costs, so that *ex ante* no further deficits would be generated. For the 2009-2012 period, Royal Decree Law 6/2009 of 30 April 2009 capped the deficit for each year and the access charges established for those years must be sufficient to prevent those limits being exceeded. These limits were changed by Royal Decree Laws 14/2010 of 23 December and 29/2012 of 28 December.

These Royal Decree Laws in turn regulated the securitisation of the collection rights accumulated by the electricity companies in financing that deficit, including compensation for as yet unrecovered extra-costs in non-mainland generation for the 2001-2008 period.

This legislation also requires that, in the event of any mismatch in the timing of settlements of regulated activities, a certain percentage must be financed by the companies specified in said legislation (ENDESA’s percentage is 44.16%), and that these companies are entitled to recover the amounts financed in through the settlements of regulated activities for the year in which they are recognised.

Royal Decree 437/2010 of 9 April regulated the securitisation of the electricity system’s deficit generated until 31 December 2012, and Royal Decree 1054/2014 of 12 December regulated that of the deficit generated in 2013. The assignments made by virtue of these Royal Decrees, the last of which was agreed on 15 December 2014, completed the assignment of all the rights recognised for the tariff deficit up to 2013.

For financial years commencing in 2014 or later, Law 24/2013 of 26 December on the electricity sector established that any timing mismatches arising would be financed by all parties to the settlements system in proportion to the remuneration allocated to them, limited to a maximum annual amount of 2% of the estimated system revenue (or 5% in cumulative terms). If these limits are exceeded, access fees or charges will be revised by an equivalent amount. Within these limits, the mismatches will entitle the financing parties to recover those funds in the following five years, at an equivalent market interest rate.

The final settlements of the years 2016, 2017 and 2018, approved by the Spanish Markets and Competition Commission (“CNMC”), presented surpluses of Euros 421 million, Euros 150 million and Euros 96 million respectively.

On 14 October 2020, Order TED/952/2020 of 5 October was published in the Official State Gazette (“BOE”), whereby the surplus of the Electricity System is applied to cover temporary imbalances and mismatches between income and costs for the years 2019 and 2020. By virtue of this, in the final settlement of 2019, Euros 528 million were applied to compensate the deficit for an equivalent amount in said final settlement. The remaining balance of the accumulated surplus, amounting to Euros 506 million, was included in the settlements of regulated activities for the year 2020.

The amounts recognised in application of this regulation at 31 December 2020 are described in Note 18.1.1.

Strategic Framework for Energy and Climate.

The European Union has made a clear commitment in the fight against global warming, setting an objective of reducing greenhouse gas (GHG) emissions by at least 80% by 2050 relative to 1990 levels, defining ambitious goals and commitments for all Member States and subscribing to the Paris Agreement, the objective of which is to avoid the increase in the earth’s overall average temperature by more than 2 °C relative to pre-industrial levels, as well as to promote additional efforts that make it possible for global warming not to exceed 1.5 °C (see Notes 2.2.2 and 39).

The transposition of these objectives into Spanish legislation is in the processing phase, and it is basically made up of the following documents:

- a draft Law on Climate Change and Energy Transition, It constitutes the regulatory and institutional framework for the implementation of the European Union's commitment to decarbonise the economy by 2050, and the global commitment of the Paris Agreement. This Project, which is being processed in parliament, includes, among others, the following aspects:
 - It sets two time paths: by 2030, objectives of reducing GHG emissions by at least 20% compared with 1990, generating 70% of electricity from renewable sources, and improving energy efficiency by at least 35% compared with the trend scenario; and by 2050, achieving climate-neutrality and a 100% renewable electricity system.
 - Renewable energy promotion measures through a remuneration framework based on the long-term recognition of a fixed energy price.
 - The new hydro concessions will be aimed at supporting the integration of non-manageable renewables.
 - Introduction of new parties in the Electricity Sector as owners of storage facilities or independent aggregators.
 - Limits are established in the exploitation of hydrocarbons, restricting fossil fuel subsidies and reviewing their taxation.
 - Promotion of energy efficiency measures and use of renewables in the field of building.
 - Boosting of electric mobility with the aim of having a fleet of vehicles without direct CO₂ emissions by 2050 and of new passenger cars and light commercial vehicles having no direct emissions from 2040. Likewise, the establishment of low-emission areas in municipalities with more than 50,000 inhabitants and island territories and the obligation to develop recharging infrastructures at petrol stations are pursued no later than 2023.
 - Mobilisation of resources for the fight against climate change: at least Euros 450 million of the proceeds from auctions of CO₂ rights will be used annually to cover costs of the Electric System.
- Spanish Integrated National Energy and Climate Plan (“PNIEC”) for 2021-2030: this is the framework for national strategic planning, integrating the energy and climate policy and reflecting Spain's contribution to achieving the targets set by the EU. The Spanish Integrated National Energy and Climate Plan (“PNIEC”) also establishes the milestones and steps in the transition towards modernising the whole economy and includes: a 23% reduction in greenhouse gas (GHG) emissions vs 1990, roll-out of renewable energies to

account for 42% of end-use energy in the country (74% for electricity generation) and a 39.5% improvement in energy efficiency. In addition, the efforts that all sectors have to make towards 2030 (energy, industrial, transport, agricultural, residential, waste, as well as the contributions of natural sinks) are covered. On 11 January 2021 the Resolution of 30 December 2020 of the General Directorate of Environmental Quality and Assessment was published in the Official State Gazette (“BOE”), formulating the strategic environmental statement of the Spanish Integrated National Energy and Climate Plan (“PNIEC”) 2021-2030. This must be approved by the European Commission through a structured process of dialogue culminating in its definitive approval.

- Fair Transition Strategy: the objective is to optimise the employment opportunities of territories whose population is affected by the transition to a low carbon economy.

Lastly, on 22 September 2020 the National Plan for Adaptation to Climate Change (“PNACC”) for 2021-2030 was approved by the Council of Ministers. It constitutes the basic planning framework for promoting coordinated action to cope with the effects of climate change.

The National Plan for Adaptation to Climate Change (“PNACC”) defines various objectives, criteria, areas of work and lines of action, with attainment indicators, with the common objective of avoiding or reducing vulnerability and potential impacts on social, economic and environmental systems facing climate change, as well as improving their ability to recover from climate change events and re-establish themselves. In the field of energy, the aim is to guarantee an energy system that is resilient to the effects of climate change in a scenario of rapid decarbonisation, through lines of action focused on:

- Improving knowledge about the impacts of climate change on the potential for renewable energy production.
- The functionality and resilience of energy generation, distribution and storage.
- The effect on demand, to avoid or limit peaks in demand.
- The identification of risks deriving from extreme events in critical infrastructures to avoid their loss of functionality.

National Strategy against Energy Poverty.

On 5 April 2019, the Council of Ministers approved the National Strategy against Energy Poverty 2019-2024, in response to the mandate contained in Royal Decree Law 15/2018 of 5 October on urgent measures for energy transition and consumer protection.

In this instrument the concepts of energy poverty and vulnerable consumer are defined, a diagnosis of the situation of energy poverty is made, including the implications for health, personal, social and equality development, action paths are determined and objectives for reduction are set.

The National Strategy against Energy Poverty is based on the need to maintain and improve the benefit systems (electricity and thermal Social Bonus) as transitional instruments that will gradually give greater prominence to structural measures that seek to address the root causes and long-term implications of the problem.

In order to analyse and carry out an appropriate monitoring of the various types of energy poverty, the official primary indicators adopted are those contemplated by the European Observatory against energy poverty (energy expenditure as a percentage of income, hidden energy poverty, inability to keep the home at an appropriate temperature and late payment of bills). In order to improve the lowest value in the series of these indicators in 2008-2017, and raise the European Union (EU) average, the Strategy establishes a minimum reduction objective of 25% in 2025 (vs. 2017), with a target of 50%.

The time frame of the National Strategy against Energy Poverty will be 5 years (2019-2024), and for its execution the development of operational plans is envisaged. Its management and monitoring will correspond to the Institute for Diversification and Energy Saving (“IDAE”).

The National Strategy against Energy Poverty establishes four lines comprising 19 concrete measures:

- To improve knowledge of energy poverty, through a detailed study of the energy expenditure of consumers according to the climatic zone in which they live, paying attention, among others, to the presence of minors in the home. The Government will update the indicators annually.
- To improve the response to the current situation of energy poverty. Among other aspects, it is concluded that it is necessary to prepare a new Social Bonus, fixing the main lines that will govern it: it will be an Energy Social Bonus (for all energy supplies), direct concession by administrations (automation) must be favoured and mechanisms must be implemented for coordinated management among the Public Administrations involved. Exceptional responses are also dealt with, such as the prohibition of supply cuts for extreme weather situations.
- To facilitate a structural change by means of actions in the short, medium and long term, for the energy rehabilitation of homes and replacement of old appliances and equipment with efficient appliances.
- Consumer protection and social awareness measures. Among other actions, an action protocol will be developed to detect situations of vulnerability by primary care professionals, and the management of information on public benefits will be standardised, seeking to have this information incorporated into the existing universal social card. In the field of citizen awareness, communication actions will be developed on the use of smart meters, on consumption habits, energy savings and efficiency improvement and a permanent communication channel will be established with the subjects and groups concerned.

Climate Emergency Statement.

On 21 January 2020 the Council of Ministers approved a Declaration on the Climate and Environmental Emergency in Spain, committing itself to adopt 30 priority lines of action to combat climate change with transversal policies. This Declaration is made in response to the general consensus of the scientific community, which demands urgent action to safeguard the environment and the health and safety of citizens.

Among the measures to which the Executive has given priority are the following:

- Send to Parliament the Draft Climate Change Law to ensure that zero net emissions will be reached no later than 2050, promoting a 100% renewable electricity system, a stock of passenger and commercial vehicles with zero emissions, a CO₂-neutral agricultural system, and a fiscal, budgetary and financial system compatible with the necessary decarbonisation of the economy and of society.
- The definition of the long-term decarbonisation path to ensure climate neutrality in 2050.
- Invest in a safer country and one less vulnerable to the impacts and risks of climate change. Along these lines, the second National Plan for Adaptation to Climate Change will be presented, including the National Climate Observation System and the development of a range of impact indicators.
- Strengthen existing participation mechanisms with a Citizens' Assembly on Climate Change, which will represent all sectors of society including young people.
- Promote the transformation of the industrial model and the service sector through Fair Transition Agreements and support measures.

Small Consumer Voluntary Prices (“PVPC”) and the legal contracting regime.

On 29 March 2014 Royal Decree 216/2014 of 28 March was published, establishing the methodology for calculating the Small Consumer Voluntary Price (“PVPC”) from 1 April 2014, the main aspects of which were as follows:

- The cost of energy to be used in calculating the “PVPC” will be the energy price per hour in the daily and intraday market in the invoice period, plus adjustment services, capacity payments and System Operator and Market Operator financing payments.

- For consumers with remote meters integrated in the system, the hourly price will be applied to the actual hourly consumption; otherwise, the profile published by the System Operator will be used.
- This new mechanism has been applied since 1 April 2014. Prior to 1 July 2014, the suppliers of reference must adapt their IT systems in order to invoice consumers under the new scheme. In the meantime, the cost of energy to be applied in the “PVPC” was the temporary price established for the first quarter of 2014. Subsequently, the cost was adjusted in invoices for consumption from 1 April 2014, in the first billing period after suppliers' IT systems were duly adapted for the new “PVPC”.
- In addition, electricity consumed in the first quarter of 2014 had to be adjusted in the first invoices issued following the adaptation of the IT systems, as per Royal Decree Law 17/2013 of 27 December, for the difference between the market price and the cost of purchasing energy included in the Small Consumer Voluntary Price (“PVPC”) in that period.
- The Royal Decree also established that, within two months of its publication, the National Commission on Markets and Competition would propose to the Secretary of State for Energy procedures for verifying, validating and closing data taken from metering equipment connected to the remote system for the purposes of hourly measurements. These proposed procedures will include a maximum period for completing the remote measurement of all remote meters installed.
- As an alternative, the suppliers of reference would be required to make an offer to customers entitled to the “PVPC” in the form of a fixed price for a one-year period, comprising the revisable access tariffs and a fixed value for one year (in Euros/kW) for the remaining items. The offer would remain in force for one month, and would be the same throughout Spain; each supplier of reference could have only one offer in force.
- The Royal Decree also established that the Social Bonus would be equal to a 25% discount on the “PVPC”.

Hourly billing procedures for the Small Consumer Voluntary Price (“PVPC”) were published on 4 June 2015. Under these procedures, from 1 July 2015, consumers with an integrated remote meter would be billed according to their actual hourly consumption instead of their consumption profile. Without prejudice to the foregoing, electricity companies had until 1 October 2015 to adapt their IT systems.

On 25 November 2016, Royal Decree 469/2016 of 18 November, establishing the methodology for calculating the trading margin on the Small Consumer Voluntary Price was published in the Official State Gazette, thus complying with various rulings handed down by the Supreme Court that annulled the trading margin contained in Royal Decree 216/2014 of 28 March establishing the procedure for calculating Small Consumer Voluntary Prices for electricity and the legal framework for contracting power.

On 24 December 2016, Ministerial Order ETU/1948/2016 of 22 December was published, which came into force on 1 January 2017, and establishes the trading margin on the Small Consumer Voluntary Price (“PVPC”). By means of Ministerial Order ETU/258/2017 of 24 March, published on 25 March 2017 and entering into force the following day, a new value was set for the part of said trading margin corresponding to the cost of contribution to the National Fund for Energy Efficiency.

Energy Efficiency.

Law 18/2014 of 15 October approving urgent measures to support growth, competitiveness and efficiency, created the National Energy Efficiency Fund with the aim of achieving energy savings.

Order TED/287/2020 of 23 March establishes a contribution by ENDESA to the National Fund for Energy Efficiency of Euros 27.5 million in respect of its 2020 obligations.

In December 2020, the Ministry for the Ecological Transition (now the Ministry for the Ecological Transition and the Demographic Challenge) began processing a proposed Order establishing the contribution to the National Fund for Energy Efficiency for 2021, ENDESA's proposed share in which is Euros 26.6 million.

Electricity tariff for 2020.

Order TEC/1258/2019 of 20 December establishing access tariffs for 2020 was published in the Official State Gazette on 28 December 2019. In accordance with said Order, the access tariffs remain unchanged until the entry into force of the tariffs set by the Spanish Markets and Competition Commission (“CNMC”).

Electricity tariff for 2021.

Ministerial Order TEC/1271/2020 of 22 December establishing access tariffs for 2021 was published in the Official State Gazette on 29 December 2020. Electricity access tariffs remain unchanged until the tariffs to be set by the “CNMC” come into force.

Royal Decree Law 20/2018, of 7 December on urgent measures to drive the economic competitiveness of the industry and commerce sector in Spain

This Royal Decree Law, published in the Official State Gazette on 8 December, seeks to drive the competitiveness of the industrial sector via action to improve labour productivity, cut energy costs and bolster industrial security. Among other aspects, the Royal Decree Law introduces the concept of closed electricity distribution networks, which are already envisaged in EU regulations, and announced the preparation of a statute for electro-intensive industrial consumers, adapted to their specific requirements. The regulation likewise envisages extending the lives of certain high efficiency cogeneration facilities for 2 years.

Statute of electro-intensive consumers.

In order to respond to the provisions of Royal Decree Law 20/2018 of 7 December with regard to “electro-intensive” industrial consumers, the Government has implemented various provisions.

Specifically, on 27 June 2020 the “BOE” published Royal Decree Law 24/2020 of 26 June on social measures to reactivate employment and protect self-employment and competitiveness of the industrial sector, creating the Spanish Reserve Fund for Guarantees of Electro-intensive Entities (“FERGEI”) whereby the State covers the risks deriving from medium and long-term purchases of electricity supply by consumers officially recognised as “electro-intensive”. This Fund will be endowed with Euros 200 million per year, to cover a maximum of Euros 600 million of investment in 3 years.

Also, on 17 December 2020 the “BOE” published Royal Decree 1106/2020 of 15 December which regulated the statute of electro-intensive consumers. Specifically, this Royal Decree regulates electro-intensive consumers, their obligations and the compensation mechanisms available to them, among which:

- A compensation mechanism of up to 85% of the costs attributable to electricity charges for financing the costs of renewable energy, high-efficiency cogeneration and the extra cost of Non-mainland Territories (“TNP”).
- A mechanism for hedging risks deriving from the acquisition of electricity in the medium and long term to promote the long-term contracting of electricity by these consumers, through the aforementioned Spanish Reserve Fund for Guarantees of Electro-intensive Entities (“FERGEI”).

Draft Royal Decree on methodology for calculating the charges of the Electricity and Gas Systems.

Together with the approval of the methodology for determining the access tolls to the electricity and gas networks, responsibility for which lies, by virtue of Royal Decree Law 1/2019 of 11 January, with the “CNMC”, the Government has to approve the methodology for calculating the charges of the Electricity and Gas Systems. These methodologies must establish which variables to use to distribute the costs that have to be covered by the charges, so that the distribution is not discriminatory and conforms to the energy policies promoted by the Government, that is, that boost efficiency, the electrification of the economy and the fair energy transition.

In accordance with this, on 7 July 2020 the Ministry for the Ecological Transition and the Demographic Challenge began the hearing of two draft Royal Decrees with the methodologies for calculating the charges of the Electricity and Gas Systems. At the date of formulation of these Consolidated Financial Statements, the bill on the Electricity System is still pending approval, while the one for the Gas System was approved by Royal Decree 1184/2020 of 29 December.

Circulars of the “CNMC” (Spanish Markets and Competition Commission).

In accordance with Royal Decree Law 1/2019 of 11 January it will fall to the Spanish Markets and Competition Commission (“CNMC”) to assume a series of competences, including the approval and setting, by means of Circulars, of certain regulatory aspects.

In this context, the “CNMC” has carried out a public consultation process on various Circulars, the most significant ones being the following:

- Circular 2/2019 of 12 November on the rate of financial remuneration for electricity and gas: Circular on the rate of financial remuneration for the second regulatory period (2020-2025), for which the “CNMC” establishes a value of 5.580% (6.003% for 2020) for the transmission and distribution of electricity.
- Circular 3/2019 of 20 November on the functioning of the wholesale electricity market and the operation of the System: Circular concerning the methodologies regulating the operation of the wholesale electricity production market and the management of the operation of the System, the purpose of which is to establish the regulations relating to the energy markets at the various time horizons (futures, daily, intraday, balance and congestion resolution markets of the Electricity System) and establish the methodologies relating to the technical aspects of the operation of the System, all this with a view to ensuring the progressive harmonisation and coupling at European level of the electricity markets.
- Circular 6/2019 of 5 December on the methodology of remuneration for electricity distribution: Circular on the remuneration methodology for the electricity distribution activity, the purpose being to establish the parameters, criteria and methodology of remuneration of this activity in the following regulatory period. The draft circular contains a new remuneration formula that regroups certain items included in Royal Decree 1048/2013 of 27 December and creates new ones. Also, certain aspects of the loss, quality and fraud incentives are modified.
- Circular 3/2020 of 15 January on the methodology for calculating access tariffs for electricity transmission and distribution networks.
- Circular 1/2021 of 20 January on the methodology and access conditions, in addition to the connection to the transmission and distribution grids of electricity production facilities, with the goal of regulating the procedures, periods and criteria for assessing access capacity and granting permits, improving the transparency of the process, and other aspects relating to controlling the progress of the projects to ensure they are properly completed.

Communication from the “CNMC” on the level of indebtedness and economic and financial capacity of companies that carry on regulated activities.

On 23 October 2019 the “CNMC” approved Communication 1/2019, which defines a set of financial ratios for assessing the level of indebtedness and the economic and financial capacity of regulated companies, proposing recommended values for these ratios and creating a global index of ratios that would have an impact on the remuneration below certain values.

The scope of application covers the transport and distribution activities of the electricity and gas sectors. Additionally, for purposes of assessing acquisitions or other equity investments it could also be applied to companies carrying on activities in Non-mainland Territories (“TNP”) in the electricity sector, and to companies that carry on activities in the oil and gas sector.

Royal Decree Law 17/2019 of 22 November adopting urgent measures for the necessary adaptation of remuneration parameters affecting the electricity system and responding to the process of closures of thermal power plants.

On 23 November 2019, Royal Decree Law 17/2019 of 22 November was published in the Official State Gazette (“BOE”), adopting urgent measures for the necessary adaptation of remuneration parameters affecting the electricity system (financial remuneration rate) and responding to the rapid process of cessation of activity of thermal power plants, in order to boost the industrial reactivation of the areas affected. As regards the process of closures of coal-fired or nuclear power plants, in granting access and connection permits account may be taken of environmental and social criteria in addition to the current technical and economic requirements. Similarly, the granting of water concessions may involve the assessment of economic, social and environmental criteria, which do not figure in the current regulations.

Draft of the Seventh General Radioactive Waste Plan.

The Ministry for the Ecological Transition and the Demographic Challenge has started the ordinary environmental strategic evaluation procedure of the Seventh General Radioactive Waste Plan (“PGRR”). The procedure includes the environmental assessment, the public information process to receive input from civil society and the mandatory consultations with the Nuclear Safety Council and the Autonomous Regions. Subsequently, the Ministry for the Ecological Transition and the Demographic Challenge will carry out a technical analysis of the complete file to formulate the Strategic Environmental Declaration of the General Radioactive Waste Plan, a step prior to its approval by the Council of Ministers. Subsequently, it must be reported to Parliament and will also be forwarded to the European Commission, in compliance with the EU directive on radioactive waste management.

Declaration of the State of alarm as a consequence of the advance of COVID-19 and regulatory measures approved.

On 11 March 2020, the World Health Organisation (WHO) raised the level of the public health emergency caused by COVID-19 to that of a pandemic. The rapid evolution of events, at the national and international levels, required the adoption of immediate and effective measures to face this situation. The extraordinary circumstances prevailing constitute without a doubt an unprecedented health crisis of enormous magnitude, due both to the large number of citizens affected and the risk to their rights. As a consequence, on 14 March 2020, Royal Decree 463/2020 of 14 March was published in the “BOE”, declaring a State of alarm for the management of the COVID-19 health crisis (see Notes 2.2.1 and 38).

At the same time, and in order to counteract the economic and social impact of this exceptional situation, the Spanish government approved a series of legislative provisions encompassing various measures on all fronts to face this impact. Specifically, and among others, 18 March 2020 saw the publication of Royal Decree Law 8/2020 of 17 March on extraordinary urgent measures to face the economic and social impact of COVID-19; on 1 April 2020 Royal Decree-Law 11/2020 of 31 March was published, adopting urgent complementary measures in the social and economic fields to deal with COVID-19; 8 July 2020 saw the publication of Royal Decree Law 26/2020 of 7 July on economic recovery measures to address the impact of COVID-19 in the areas of transport and housing, and lastly on 30 September 2020 Royal Decree Law 30/2020 of 29 September on social measures in defence of employment was published.

With regard to the Electricity Sector, the most significant urgent measures adopted were the following:

- “Bono Social” discount rate: the validity of the ‘Bono Social’ (special reduced rate for electricity) was extended until 30 September 2020 for beneficiaries for whom the 2-year period of validity established in Royal Decree 897/2017 of 6 October expired before that date. At the same time, the right to the “Bono Social” discount rate was extended to customers with supply points in their name, or any member of their family unit, with the status of self-employed or sole proprietor and who were entitled to benefit because they had had to cease their activity or had seen their billings significantly reduced, and met certain income levels in the immediately preceding year, this right being limited to the period for which these circumstances persisted, with a maximum of 6 months. Likewise, as a result of Royal Decree Law 30/2020 of 29 September, the beneficiary group was expanded to include those who could prove, upon

the entry into force of this law, that the holder of the supply point or a member of the family unit was unemployed, furloughed or had had his or her working hours reduced due to care, in the case of entrepreneurs, or other similar circumstances that involved a substantial loss of income in the month prior to the filing of the application for the Social Bonus, as a result of which the total household income did not reach certain thresholds. This right will expire when the circumstances for its granting cease, and, in any case, on 30 June 2021, without prejudice to the possibility of benefiting from the status of beneficiary of the Social Bonus in accordance with the general regulations.

- Guarantee of supply: prohibition of suspension of the supply of electricity, water and natural gas during the month following the entry into force of Royal Decree Law 8/2020 of 17 March, to consumers who had the status of vulnerable or severely vulnerable consumers or consumers at risk of social exclusion according to the criteria of Royal Decree 897/2017 of 6 October. This term, initially valid for one month and extended during the State of alarm, was extended by Royal Decree Law 26/2020 of 7 July until 30 September 2020, establishing that the supply of electricity, water, natural gas and other petroleum derivatives to natural persons in their habitual residence, could not be cut off except for reasons of safety of supply, people and facilities. Finally, by means of Royal Decree Law 37/2020 of 22 December on urgent measures to face situations of social and economic vulnerability in the field of housing and in the field of transport, during the State of Alarm prohibited the suspension of supply to consumers who were vulnerable, severely vulnerable or at risk of social exclusion, and this prohibition was extended to consumers who, without being able to prove ownership of the supply contract, comply with the requirements established in Royal Decree 897/2017 of 6 October.
- Flexibility measures for electricity supply contracts of self-employed and businesses: possibility, during the State of alarm, for consumers to suspend or modify their contracts to contract another alternative offer with their supplier to adapt to new consumption patterns, without any charge or penalty, as well as to change power or access toll. A period of 3 months was set, after the end of the State of alarm, for the reactivation of the contract or modification of the power, at no cost, except in certain situations. Future General State Budget Laws approved after the entry into force of Royal Decree Law 11/2020 of 31 March will include the corresponding items to compensate the Electricity Sector for the reduction in income that these measures entail. Similar measures are provided for the Natural Gas Sector.
- Suspension of supply invoices: possibility during the State of alarm for self-employed persons and SMEs with supply points in their name to ask their supplier, or distributor as the case may be, by remote (non-physical) means, to suspend payment of bills corresponding to billing periods that contain days covered by the State of alarm. In this case, the supplier will be exempt from paying transmission and distribution tolls to the distributor until such time as the customer pays the bill in full. The supplier will also be exempt from paying VAT, the special tax on electricity, and, where applicable, the special tax on hydrocarbons for electricity generation until the customer pays the full invoice or until 6 months have elapsed from the end of the State of alarm. However, the option to delay the payment of these taxes has not been exercised in any case by ENDESA. Once the State of alarm is over, the debt will be regularised in equal parts in the invoices of the billing periods that make up the following 6 months. Likewise, suppliers who see their income reduced, or distributors whose toll income is reduced, may request the guarantees defined in Royal Decree Law 8/2020 of 17 March or any other line created for this purpose.
- Rights of access: the term was extended for access rights that expired on 31 March 2020 and the new term was set at two months after the end of the state of alarm or its extensions.

In this context, likewise, through Order SND/260/2020 of 19 March, the activation of the interruptibility demand management service was suspended for economic reasons while the State of alarm was in force.

Finally, it should be noted that after the end last June of the initial State of alarm declared through Royal Decree 463/2020 of 14 March, the subsequent negative evolution of the pandemic led the Government to declare a new State of alarm through Royal Decree 926/2020 of 25 October declaring the State of alarm to contain the spread of COVID-19 infections.

Plan for the Recovery, Transformation and Resilience of the Economy.

On 7 October 2020 the Government presented the Plan for the Recovery, Transformation and Resilience of the Economy to respond to the challenges of the next decade, focusing on four necessary transformations to modernise and boost Spain's economy: the ecological transition, the digital transformation, gender equality and social and territorial cohesion.

The Recovery Plan will involve a significant volume of public and private investment in the coming years, which will be financed with funds from the European Union Recovery Plan ("Next Generation EU"), which will allow Spain to obtain up to Euros 140,000 million, of which Euros 72,000 million will be non-refundable grants and the rest loans. The Government, in order to speed up the timetable for the execution of this Plan, plans to incorporate Euros 27,000 million in the next General State Budget.

The Plan includes ten key policies that are considered driving forces because they have a direct impact on the productive sectors with the greatest capacity to transform the economic and social fabric, namely:

1. Urban and rural agenda, fight against depopulation and development of agriculture.
2. Resilient infrastructures and ecosystems.
3. Fair and inclusive energy transition.
4. An Administration for the twenty-first century.
5. Modernisation and digitalisation of the industrial fabric and of SMEs, recovery of tourism and promotion of an entrepreneurial nation.
6. Pact for science and innovation. Strengthening the capacities of the National Health System.
7. Education and knowledge, continuous training and capacity building.
8. New economics of care and employment policies.
9. Boosting culture and sports.
10. Modernisation of the tax system for inclusive and sustainable growth.

Investment in ecological transition will represent more than 37% of the total Plan and digitalisation 33%.

In the field of energy, the foregoing policies include actions such as the massive deployment of renewable generation, smart grids and electrical infrastructures; the development of a renewable hydrogen roadmap and its sectoral integration; the development of a Just Transition Strategy to guarantee employment in areas affected by the energy transition; and the promotion of sustainable mobility and the refurbishment of buildings as well as the promotion of energy efficiency measures.

Finally, in order to ensure the proper execution of the funds, the Plan provides a Governance model for the selection, evaluation and coordination of the various projects. A specific collaboration will be implemented with the Autonomous Regions and Cities and an Interministerial Commission and a Monitoring Unit will be created. The Government also intends to eliminate the obstacles that hinder the execution of projects, so that the bureaucracy is not a brake on the development of the Plan.

Under the framework of the Recovery, Transformation and Resilience Plan, various consultations have been launched from different Ministries to collect information on expressions of interest from the various agents regarding possible projects in certain areas of action of the Plan, with a view to preparing the Plan to present to the European authorities.

Likewise, on 31 December 2020, Royal Decree Law 36/2020 of 30 December was published, approving urgent measures for the modernisation of the Public Administration and for the execution of the Recovery, Transformation and Resilience Plan, including a series of measures to facilitate the management of the Next Generation EU funds, such as streamlining procedures, improving public-private collaboration, through

introduction, among others, the figure of the Strategic Projects for Economic Recovery and Transformation (“PERTE”), as a key element for the execution of the various driving projects of the Plan; and the development of specific governance mechanisms.

Royal Decree Law 23/2020 of 23 June approving measures in the field of energy and in other areas for economic recovery.

On 24 June 2020, Royal Decree-Law 23/2020, of 23 June, was published, approving measures in the field of energy and in other areas for economic reactivation. The most relevant aspects of this Royal Decree-Law are the following:

- Improvement of the regulation of access permits and connection to the grid of renewable energies, to avoid speculation, considering specific mechanisms to grant access capacity in network nodes affected by just transition processes.
- New auction model for future renewable energy developments, based on the long-term recognition of a fixed price for energy, distinguishing between different technologies. Small projects and demonstrators may be exempted from auctions.
- Introduction of new figures: storage owners, independent aggregators and renewable energy communities.
- Simplification of procedures for renewable installations and their electrical infrastructure, rapid recharge infrastructures (250 kW) and demonstrations or R&D and innovation projects.
- The accumulated surplus of the Electric System may be used to cover imbalances in 2019 and 2020.
- Increase of the maximum limit of remunerative investment in distribution in 2020-2022, going from 0.13% to 0.14% of Gross Domestic Product (GDP).
- The purpose of the Institute for the Just Transition is defined, which will seek to reduce the impacts on employment and the depopulation of areas affected by the transition process.

Law 5/2020, of 29 April, of the Generalitat de Catalunya.

On 2 June 2020, Law 5/2020, of 29 April, of the Generalitat de Catalunya, on fiscal, financial, administrative and public sector measures and creation, has been published in the Official State Gazette (“BOE”) tax on facilities that affect the environment.

Among other aspects, this Law includes the creation and regulation of a tax on facilities that affect the environment in the area of the Autonomous Community of Catalonia. Specifically, this new tax is imposed on the production, storage, transformation and transport of electrical energy in Catalonia. In the field of generation, energy production is taxed at a general rate of Euros 5 per MWh, which will be Euros 1 per MWh for combined cycles, excluding in any case hydroelectric generation and generation from renewable sources, as well as from biomass, biogas, high-efficiency cogeneration or slurry. In the field of transport, a quota is established based on the voltage level of the facilities, with those with a voltage lower than 30 kV and evacuation facilities of renewable production being exempt.

Royal Decree 647/2020, of 7 July, on network codes.

On 8 July 2020, Royal Decree 647/2020, of 7 July, which regulates aspects necessary for the implementation of the connection network codes of certain electrical installations.

This Royal Decree includes certain elements associated with the adaptation of Spanish regulations to the European network codes set forth in Regulations (EU) 2016/631, 2016/1388 and 2016/1447 of the European Commission, of 14 April, 17 August and 26 August, respectively, which establish the framework of minimum technical requirements for design and operation that generation facilities, demand and high-voltage systems connected to direct current must comply with for connection to the electricity grid. It also includes other amendments to other provisions, such as Royal Decree 413/2014 of 6 June regulating the production of electricity from renewable energy sources, cogeneration and waste and Royal Decree 738/2015 of 31 July regulating generation in the Non-mainland Territories (“TNP”) electrical systems.

Orders executing certain rulings of the Supreme Court in relation to the remuneration of electricity distribution.

On 21 September 2020 Orders TED/865/2020 and TED/866/2020 of 15 September were published in the Official State Gazette (“BOE”), executing various rulings of the Supreme Court in relation to the remuneration of electricity distribution, establishing new values for certain parameters.

Regulations on permits for access and connection to electricity transmission and distribution networks.

In accordance with the new responsibilities entrusted to the “CNMC” by Royal Decree Law 1/2019 of 11 January, the specific regulations on permits for access and connection must be developed by both the Government, through Royal Decree, and the “CNMC”, through a Circular, in accordance with their respective competences.

On 30 December 2020 Royal Decree 1183/2020 of 29 December on access and connection to the electricity transmission and distribution networks was published in the Official State Gazette (“BOE”). This Royal Decree regulates the criteria and procedure for granting access and connection permits for both producers and consumers. The general criterion will be “first come first served”. However, in order to boost the penetration of energy from renewable sources, exceptions to this general criterion are established in cases of hybridisation of existing generation facilities and of competitive bidding processes for access capacity in new nodes of the transmission network or at those nodes where power capacity is deregulated or increases substantially.

The possibility is established that, through Ministerial Order, calls for tenders for capacity may be issued only applicable in new nodes that are introduced through a new planning process, or those in which a certain volume of access capacity is released. Participants must be operators of renewable generation facilities, which may also include storage.

Aspects relating to storage and hybridisation of facilities are also regulated, as well as the guarantee regime.

Finally, exemptions are introduced for permits for access and connection to self-consumption facilities, and the single node interlocutor, until now in charge of processing permits for access and connection when there were connection requests from multiple actors for the same node, is eliminated, so that from now on each promoter will talk directly to the network manager.

Also, on 22 January 2021, “CNMC” Circular 1/2021 of 20 January was published in the “BOE”, establishing the methodology and conditions of electricity production facilities’ access and connection to the transmission and distribution networks. This Circular regulates the procedures, deadlines and criteria for the evaluation of access capacity and the granting of permits.

Royal Decree Law 34/2020 of 17 November on urgent measures to support business solvency and the energy sector, and in tax matters.

On 18 November the “BOE” published Royal Decree Law 34/2020 of 17 November on urgent measures to support business solvency and the energy sector, and in tax matters, by means of which the transfers of the income from the auctions of GHG emission rights to the Electricity Sector were extended for 2020, depending on the amount actually collected, and up to a maximum of Euros 1,000 million. For the year 2021, Law 11/2020 of 30 December on General State Budgets provides an equivalent measure.

Draft Bill of Law creating the National Fund for the Sustainability of the Electricity System.

On 16 December 2020 the Ministry for the Ecological Transition and the Demographic Challenge initiated a process of public consultation on a Draft Law creating the National Fund for the Sustainability of the Electricity System, whose purpose is to finance, total or partially, the costs associated with the specific remuneration scheme for renewable energies, cogeneration and waste, currently included in electricity access tolls. This Fund will be endowed with the contributions of the operators of the various energy sectors, not only electricity, the taxes deriving from Law 15/2012 of 27 December, the income from the auctions of CO₂ emission rights , as well as other contributions, with a limit of 10% of the annual income of the Fund, from items of the General State Budget or from community funds. In this way, this Preliminary Draft envisages a mechanism aimed at redistributing the cost associated with meeting the existing renewable objectives at country level among all energy sectors. The Preliminary Draft envisages a gradual process of assumption over a five-year period.

Gas system.

On 22 May 2015, Law 8/2015 of 21 May, amending Law 34/1998 of 7 October, on the hydrocarbons sector, was published. It regulates certain tax and non-tax measures in respect of oil and gas exploration, research and exploitation, and amends the previous Hydrocarbons Law to bring it more into line with the current situation, so as to increase competition and transparency in the hydrocarbons sector, reduce fraud, ensure greater consumer protection, reduce costs for the consumer and adapt the rules on infringements and penalties.

With respect to natural gas, the law seeks to create an organised natural market that offers consumers more competitive and transparent prices and allows the entry of new suppliers to increase competition. An operator for the organised gas market will also be appointed, any authorised natural gas installer may carry out inspections (this was previously the responsibility of distributors), the entry of new suppliers is encouraged through the mutual recognition of licences to supply natural gas to other EU-member countries where there is an existing agreement; and certain measures have been adopted regarding minimum security inventories so as to, but without impairing the security of supply, give suppliers greater flexibility at a lower cost, enabling the Corporation for Strategic Oils Reserves (CORES) to maintain strategic natural gas inventories.

On 31 October 2015, Royal Decree 984/2015 of 30 October was published, regulating the organised gas market and third-party access to the installations of the natural gas system. This Royal Decree contains the basic regulations for the operation of this gas market, along with other measures, such as the inspection procedures for gas installations.

Following the resolution of the Council of Ministers dated 10 November 2017, a resolution was published on 13 December 2017, which established the terms and conditions governing the provision of the service of mandatory market maker by the dominant operators, one of which is ENDESA.

Natural gas tariff for 2020.

On 28 December 2019, Order TEC/1259/2019, of 20 December, was published in the Official State Gazette ("BOE"), establishing access rates for gas for 2020, which remain unchanged, and on 30 December 2019 the Resolution of 23 December of the General Directorate for Energy Policy and Mines was published in the "BOE", establishing the Last Resort Tariff ("TUR" in the Spanish abbreviation) for natural gas applicable from 1 January 2020, implying an average reduction of 3.3% for "TUR1" (for consumers of less than 5,000 kWh/year) and 4.2% for "TUR2" (for consumers of more than 5,000 kWh/year), due to lower raw material costs.

On 30 June 2020, the Resolution of 23 June 2020, of the General Directorate for Energy Policy and Mines, was published in the Official State Gazette ("BOE"), publishing the new last resort tariff for natural gas that will come into effect from 1 July, resulting in an average reduction of 4.5% and 6.0% depending on whether it is the Last Resort Tariff 1 ("TUR1") or the Last Resort Tariff 2 ("TUR2"), respectively, due to the reduction in the cost of the raw material.

On 29 September 2020 the "BOE" published Order TED/902/2020 of 25 September, modifying the methodology for calculating the rate of last resort for natural gas. This Order adapts gas tolls and fees to the new toll structure of the Gas System of Circular 6/2020 of 22 July, being applicable from 1 October 2021, with the exception of some access tolls to regasification facilities, application of which began on 1 October 2020.

On 30 September 2020, the Resolution of 29 September 2020, of the General Directorate for Energy Policy and Mines was published in the Official State Gazette (“BOE”), publishing the new last resort tariff for natural gas that came into effect on 1 October 2020, resulting in an average reduction of 2.4% and 5.5% depending on whether it is the Last Resort Tariff 1 (“TUR1”) or the Last Resort Tariff 2 (“TUR2”), respectively, due to the reduction in the cost of the raw material.

Natural gas tariff for 2021.

“CNMC” Circular 6/2020 of 22 July approved the methodology for the calculation of transmission tolls, local networks and natural gas regasification and among other aspects established that the “CNMC” must set the values of the access tolls to the regasification facilities and, where appropriate, the billing terms of the term of conduction of the transport and distribution tolls, applicable from 1 October 2020.

On 29 December 2020 the “BOE” published the Resolution of 23 June 2020 of the General Directorate for Energy Policy and Mines, establishing the last resort tariff (TUR) for natural gas to be applied from 1 January 2021, resulting in an average increase of 4.6% or 6.3% depending on whether “TUR1” or “TUR2” is concerned, due to the increase in the cost of the raw material.

5. Corporate acquisitions.

During 2020 and 2019 the following corporate acquisitions in the renewables sector were completed (see Notes 2.3.1 and 8):

| | Acquisition date | Technology | Equity stake | |
|--|-------------------|--------------|-------------------------|-------------------------|
| | | | at 31 December 2020 (%) | at 31 December 2019 (%) |
| | | | Control | Control |
| Suggestion Power, Unipessoal, Lda. (1) | 14 September 2020 | Photovoltaic | 100.00 | - |
| Parque Eólico Tico, S.L.U. (2) | 7 July 2020 | Wind | 100.00 | - |
| Tico Solar 1, S.L.U. (2) | 7 July 2020 | Photovoltaic | 100.00 | - |
| Tico Solar 2, S.L.U. (2) | 7 July 2020 | Photovoltaic | 100.00 | - |
| Energía Neta Sa Caseta Lluçmajor, S.L.U. (2) | 5 March 2019 | Photovoltaic | 100.00 | 100.00 |
| Baleares Energy, S.L.U. (2) | 28 May 2019 | Photovoltaic | 100.00 | 100.00 |
| Baikal Enterprise, S.L.U. (2) | 28 May 2019 | Photovoltaic | 100.00 | 100.00 |
| Renovables La Pedrera, S.L.U. (2) | 30 September 2019 | Wind | 100.00 | 100.00 |
| Renovables Mediavilla, S.L.U. (2) | 30 September 2019 | Photovoltaic | 100.00 | 100.00 |
| Dehesa PV Farm 03, S.L.U. (2) | 23 December 2019 | Photovoltaic | 100.00 | 100.00 |
| Dehesa PV Farm 04, S.L.U. (2) | 23 December 2019 | Photovoltaic | 100.00 | 100.00 |
| Emintegral Cycle, S.L.U. (2) | 23 December 2019 | Photovoltaic | 100.00 | 100.00 |
| Envatios Promoción I, S.L.U. (2) | 23 December 2019 | Photovoltaic | 100.00 | 100.00 |
| Envatios Promoción II, S.L.U. (2) | 23 December 2019 | Photovoltaic | 100.00 | 100.00 |
| Envatios Promoción III, S.L.U. (2) | 23 December 2019 | Photovoltaic | 100.00 | 100.00 |
| Envatios Promoción XX, S.L.U. (2) | 23 December 2019 | Photovoltaic | 100.00 | 100.00 |
| Fotovoltaica Yuncillos, S.L.U. (2) | 23 December 2019 | Photovoltaic | 100.00 | 100.00 |
| Olivum PV Farm 01, S.L.U. (2) | 23 December 2019 | Photovoltaic | 100.00 | 100.00 |
| Pampinus PV Farm 01, S.L.U. (2) | 23 December 2019 | Photovoltaic | 100.00 | 100.00 |
| Torrepalma Energy 1, S.L.U. (2) | 23 December 2019 | Photovoltaic | 100.00 | 100.00 |
| Xaloc Solar, S.L.U. (2) | 23 December 2019 | Photovoltaic | 100.00 | 100.00 |
| Bogaris PV1, S.L.U. (2) | 27 December 2019 | Photovoltaic | 100.00 | 100.00 |

(1) Company acquired by ENDESA Generación Portugal, S.A. for Euros 6 million, with an effective cash outflow of Euros 3 million at 31 December 2020 (see Notes 2.3.1 and 32.2).

(2) Companies acquired by ENEL Green Power España, S.L.U. (EGPE) for an amount of Euros 40 million, with an effective cash outflow of Euros 14 million at 31 December 2020 (Euros 40 million and Euros 37 million at 31 December 2019, respectively) (see Notes 2.3.1 and 32.2).

The total price of the transactions formalised in 2020 was Euros 46 million, of which, at 31 December 2020, Euros 29 million were pending disbursement, subject to compliance with certain contractual stipulations (Euros 40 million for the transactions formalised in 2019, with a net cash outflow of Euros 37 million at 31 December 2019) (see Notes 2.3.1 and 32.2).

The acquisition of these companies led to the recognition, under the heading "Intangible Assets" in the Consolidated Statement of Financial Position of Euros 46 million corresponding almost entirely to the value of licences for the development of wind farm projects and photovoltaic plants (Euros 40 million in 2019) (see Note 8).

The companies acquired in 2020 are currently applying for the permits and licences to carry out their projects, so construction of the renewable energy facilities has not yet started and no ordinary revenue has been generated since acquisition date.

The companies acquired in 2019 have secured the permits and licences to carry out their projects and construction work is under way on the power facilities. No revenue from contracts with customers has been generated since the acquisition date.

No revenue has been generated since the acquisition and/or foundation date. In 2020, the gross investments made by these companies amounted to Euros 92 million (see Note 6.2).

Through the acquisition of wind and solar projects, ENDESA reinforces its presence in the Iberian Peninsula generation market, expanding the portfolio of renewable assets in its production mix.

6. Property, plant and equipment.

The composition of this item of the accompanying Consolidated Statement of Financial Position at 31 December 2020 and 2019 and movements in the years then ended were as follows:

Millions of euros

| Property, plant and equipment in use and under construction | 31 December 2020 | | | |
|---|------------------|--------------------------|-------------------|-------------------------------------|
| | Cost | Accumulated amortisation | Impairment losses | Total property, plant and equipment |
| Land and buildings | 1,184 | (359) | (51) | 774 |
| Electricity generation facilities: | 28,638 | (18,822) | (2,127) | 7,689 |
| Hydroelectric plants | 3,386 | (2,551) | (2) | 833 |
| Coal-fired/fuel-oil plants | 9,009 | (6,771) | (1,757) | 481 |
| Nuclear power plants | 10,346 | (7,678) | - | 2,668 |
| Combined cycle plants | 3,912 | (1,584) | (366) | 1,962 |
| Renewables | 1,985 | (238) | (2) | 1,745 |
| Transmission and distribution facilities | 22,278 | (10,734) | - | 11,544 |
| Low- and medium-voltage, measuring and remote-control equipment and other installations | 22,278 | (10,734) | - | 11,544 |
| Other property, plant and equipment | 659 | (424) | (40) | 195 |
| Property, plant and equipment under construction | 1,251 | - | (99) | 1,152 |
| TOTAL | 54,010 | (30,339) | (2,317) | 21,354 |

Millions of euros

| Property, plant and equipment in use and under construction | 31 December 2019 | | | |
|---|------------------|--------------------------|-------------------|-------------------------------------|
| | Cost | Accumulated amortisation | Impairment losses | Total property, plant and equipment |
| Land and buildings | 997 | (315) | (42) | 640 |
| Electricity generation facilities: | 27,899 | (18,324) | (1,628) | 7,947 |
| Hydroelectric plants | 3,340 | (2,519) | (2) | 819 |
| Coal-fired/fuel-oil plants | 8,626 | (6,709) | (1,446) | 471 |
| Nuclear power plants | 10,276 | (7,435) | - | 2,841 |
| Combined cycle plants | 3,802 | (1,489) | (178) | 2,135 |
| Renewables | 1,855 | (172) | (2) | 1,681 |
| Transmission and distribution facilities | 21,685 | (10,215) | - | 11,470 |
| Low- and medium-voltage, measuring and remote-control equipment and other installations | 21,685 | (10,215) | - | 11,470 |
| Other property, plant and equipment | 634 | (385) | (27) | 222 |
| Property, plant and equipment under construction | 1,348 | - | (298) | 1,050 |
| TOTAL | 52,563 | (29,239) | (1,995) | 21,329 |

Millions of euros

| Property, plant and equipment in use and under construction | Balance at 31 December 2019 | Inclusion/(Exclusion) Companies ⁽¹⁾ | Investments ^(Note 6.2) | Derecognitions | Transfers and other ⁽²⁾ | Balance at 31 December 2020 |
|---|-----------------------------|--|-----------------------------------|----------------|------------------------------------|-----------------------------|
| Land and buildings | 997 | - | 160 | (16) | 43 | 1,184 |
| Electricity generation facilities: | 27,899 | - | 46 | (59) | 752 | 28,638 |
| Hydroelectric plants | 3,340 | - | - | (2) | 48 | 3,386 |
| Coal-fired/fuel-oil plants | 8,626 | - | 1 | (5) | 387 | 9,009 |
| Nuclear power plants | 10,276 | - | 31 | (17) | 56 | 10,346 |
| Combined cycle plants | 3,802 | - | 5 | - | 105 | 3,912 |
| Renewables | 1,855 | - | 9 | (35) | 156 | 1,985 |
| Transmission and distribution facilities | 21,685 | - | 33 | (70) | 630 | 22,278 |
| Low- and medium-voltage, measuring and remote-control equipment and other installations | 21,685 | - | 33 | (70) | 630 | 22,278 |
| Other property, plant and equipment | 634 | (31) | 23 | (21) | 54 | 659 |
| Property, plant and equipment under construction | 1,348 | - | 1,327 | (1) | (1,423) | 1,251 |
| TOTAL | 52,563 | (31) | 1,589 | (167) | 56 | 54,010 |

(1) Corresponds to the derecognition of assets related to value added services as a consequence of the loss of control over ENDESA Soluciones, S.L. (see Notes 2.3.1, 2.4 and 10.1).

(2) Includes allocation to property, plant and equipment of changes in the estimated costs of dismantling the facilities.

Millions of euros

| Accumulated depreciation and impairment losses | Balance at 31 December 2019 | Addition/(Removal) of Companies ⁽¹⁾ | Additions ⁽²⁾ | Derecognitions | Transfers and other | Balance at 31 December 2020 |
|---|-----------------------------|--|--------------------------|----------------|---------------------|-----------------------------|
| Buildings | (357) | - | (55) | 5 | (3) | (410) |
| Electricity generation facilities: | (19,952) | - | (1,039) | 43 | (1) | (20,949) |
| Hydroelectric plants | (2,521) | - | (35) | 2 | 1 | (2,553) |
| Coal-fired/fuel-oil plants | (8,155) | - | (376) | 4 | (1) | (8,528) |
| Nuclear power plants | (7,435) | - | (260) | 17 | - | (7,678) |
| Combined cycle plants | (1,667) | - | (282) | - | (1) | (1,950) |
| Renewables | (174) | - | (86) | 20 | - | (240) |
| Transmission and distribution facilities | (10,215) | - | (585) | 70 | (4) | (10,734) |
| Low- and medium-voltage, measuring and remote-control equipment and other installations | (10,215) | - | (585) | 70 | (4) | (10,734) |
| Other property, plant and equipment in process | (710) | 4 | 135 | 7 | 1 | (563) |
| TOTAL | (31,234) | 4 | (1,544) | 125 | (7) | (32,656) |

(1) Corresponds to the derecognition of assets related to value added services as a consequence of the loss of control over ENDESA Soluciones, S.L. (see Notes 2.3.1, 2.4 and 10.1).

(2) Includes the net addition to provision for impairment losses (Euros 323 million) and the depreciation and amortisation charge (Euros 1,221 million) (see Note 28).

Millions of euros

| Property, plant and equipment in use and under construction | Balance at 31 December 2018 | Adjustments due to Changes in Accounting Policies IFRS 16 (Note 6.1) | Companies added/(removed) | Investments (Note 6.2) | Derecognitions | Transfers and other (1) | Balance at 31 December 2019 |
|---|-----------------------------|--|---------------------------|------------------------|----------------|-------------------------|-----------------------------|
| Land and buildings | 690 | 179 | - | 15 | (27) | 140 | 997 |
| Electricity generation facilities: | 26,711 | - | - | 35 | (51) | 1,204 | 27,899 |
| Hydroelectric plants | 3,321 | - | - | - | (22) | 41 | 3,340 |
| Coal-fired/fuel-oil plants | 8,285 | - | - | 3 | (7) | 345 | 8,626 |
| Nuclear power plants | 10,095 | - | - | 27 | (17) | 171 | 10,276 |
| Combined cycle plants | 3,767 | - | - | 1 | - | 34 | 3,802 |
| Renewables | 1,243 | - | - | 4 | (5) | 613 | 1,855 |
| Transmission and distribution facilities | 21,253 | - | - | 45 | (179) | 566 | 21,685 |
| Low- and medium-voltage, measuring and remote-control equipment and other installations | 21,253 | - | - | 45 | (179) | 566 | 21,685 |
| Other property, plant and equipment | 490 | 7 | - | 127 | (21) | 31 | 634 |
| Property, plant and equipment under construction | 1,131 | - | - | 1,703 | - | (1,486) | 1,348 |
| TOTAL | 50,275 | 186 | - | 1,925 | (278) | 455 | 52,563 |

(1) Includes allocation to property, plant and equipment of changes in the estimated costs of dismantling the facilities (see Note 16.3).

Millions of euros

| Accumulated depreciation and impairment losses | Balance at 31 December 2018 | (Inclusion)/exclusion of companies | Additions (1) | Derecognitions | Transfers and other | Balance at 31 December 2019 |
|---|-----------------------------|------------------------------------|----------------|----------------|---------------------|-----------------------------|
| Buildings | (301) | - | (73) | 15 | 2 | (357) |
| Electricity generation facilities: | (17,883) | - | (2,117) | 51 | (3) | (19,952) |
| Hydroelectric plants | (2,506) | - | (34) | 22 | (3) | (2,521) |
| Coal-fired/fuel-oil plants | (6,653) | - | (1,509) | 7 | - | (8,155) |
| Nuclear power plants | (7,214) | - | (239) | 17 | 1 | (7,435) |
| Combined cycle plants | (1,395) | - | (272) | - | - | (1,667) |
| Renewables | (115) | - | (63) | 5 | (1) | (174) |
| Transmission and distribution facilities | (9,814) | - | (581) | 179 | 1 | (10,215) |
| Low- and medium-voltage, measuring and remote-control equipment and other installations | (9,814) | - | (581) | 179 | 1 | (10,215) |
| Other property, plant and equipment in process | (437) | - | (288) | 15 | - | (710) |
| TOTAL | (28,435) | - | (3,059) | 260 | - | (31,234) |

(1) Includes the net addition to provision for impairment losses (Euros 1,757 million) and the depreciation and amortisation charge (Euros 1,302 million) (see Note 28).

6.1. Right of use assets.

The breakdown of right-of-use assets included under Property, plant and equipment in the Consolidated Statement of Financial Position at 31 December 2020 and 2019 and movements in financial years 2020 and 2019 were as follows:

Millions of euros

| Right-of-use assets | Balance at 31 December 2019 | Additions | Derecognitions | Depreciation and amortisation, and impairment losses | Transfers and other ⁽¹⁾ | Balance at 31 December 2020 |
|-------------------------------------|-----------------------------|------------|----------------|--|------------------------------------|-----------------------------|
| Land and buildings | 179 | 160 | (9) | (27) | - | 303 |
| Electricity generation facilities: | 362 | 4 | - | (26) | 17 | 357 |
| Combined cycle plants | 362 | 4 | - | (26) | 17 | 357 |
| Other property, plant and equipment | 123 | 18 | (1) | (25) | - | 115 |
| TOTAL | 664 | 182 | (10) | (78) | 17 | 775 |

(1) From the property, plant and equipment in progress.

Millions of euros

| Right-of-use assets | Balance at 31 December 2018 ⁽¹⁾ | Adjustments due to changes in accounting policies IFRS 16 | Additions | Derecognitions | Depreciation and amortisation, and impairment losses | Balance at 31 December 2019 |
|-------------------------------------|--|---|------------|----------------|--|-----------------------------|
| Land and buildings | 17 | 179 | 13 | (4) | (26) | 179 |
| Electricity generation facilities: | 385 | - | - | - | (23) | 362 |
| Combined cycle plants | 385 | - | - | - | (23) | 362 |
| Other property, plant and equipment | 9 | 7 | 125 | (6) | (12) | 123 |
| TOTAL | 411 | 186 | 138 | (10) | (61) | 664 |

(1) Corresponding to finance lease contracts in accordance with the previous IAS 17 Leases (see Note 6.1.1).

During 2020 and 2019, the effect of the right-of-use assets on the Consolidated Income Statements was as follows:

Millions of euros

| | Notes | 2020 | 2019 |
|---|-------|------------|-----------|
| Provision for depreciation of right of use assets | | 78 | 61 |
| Interest expense on borrowings associated with right of use assets | | 24 | 30 |
| Finance Expense | 29 | 33 | 31 |
| Exchange gains/(losses) | | (9) | (1) |
| Expenses relating to short-term leases and/or low-value assets ⁽¹⁾ | | 2 | 5 |
| Expenses relating to variable payments in operating leases | | - | 1 |
| Total effect in the Consolidated Income Statement | | 104 | 97 |

(1) Leases expiring in the 12 months following first time application and/or where the value of the underlying assets is less than USD 5,000.

6.1.1. Right of use assets as lessee

At 31 December 2020, the most significant lease contracts under which ENDESA is the lessee are as follows:

- ENDESA Generación, S.A.U. signed a tolling agreement with Elecgas, S.A. (a company in which ENDESA Generación, S.A.U. holds a 50% interest), for 25 years (15 remaining), whereby Elecgas, S.A. makes the entire production capacity of its plant available to ENDESA Generación, S.A.U. and undertakes to transform the gas supplied into electricity in exchange for a financial charge.
- Edistribución Redes Digitales, S.L.U. has entered into finance lease contracts for office buildings located mostly in Barcelona, Lérida and Zaragoza, with a remaining duration of around 7 years.
- On 28 May 2020 ENDESA Operaciones y Servicios Comerciales, S.L.U. sold a property located on Avenida Ramón y Cajal, Seville, to a third party for an amount of Euros 2 million (see Note 18), generating a gross capital gain of Euros 1 million. Simultaneously, this property was leased by ENDESA Medios y Sistemas, S.L.U. for a minimum term of 5 years, for which ENDESA has registered an asset, for the corresponding right of use retained, for an amount of less than Euros 1 million and a liability, for the net present value of the obligation to make lease rental payments, for an amount of Euros 1 million.
- On 29 May 2020, ENDESA Medios y Sistemas, S.L.U. renewed the lease of ENDESA's headquarters, located at Ribera del Loira (Madrid), until the year 2030. Said renewal has meant the recognition of an

increase in the right of use asset and in the liability for the net present value of the future lease rental payments, both amounting to Euros 57 million, with the outstanding debt under this contract at 31 December 2020 being Euros 91 million.

- Lease agreements corresponding to the right to use the land where certain renewable generation facilities are located. These are long-term contracts, with automatic renewal clauses and with maturities between 2022 and 2080. The consideration for these contracts is fixed by combining an amount based on installed capacity (MW) and production (GWh).
- Charter contracts for the transport of liquefied natural gas (LNG).
- Technical equipment for which contracts are concluded to cover occasional availability services based on operational needs.
- Vehicle leasing contracts.

At 31 December 2020, the item “Property, Plant and Equipment” in the Consolidated Statement of Financial Position includes Euros 775 million corresponding to the carrying amount of assets under lease contracts (Euros 664 million at 31 December 2019) (see Note 6.1).

Also, at 31 December 2020, the items “Non-Current Financial Debt” and “Current Financial Debt” in the Statement of Financial Position include Euros 740 million and Euros 63 million respectively relating to the financial liabilities for rights of use deriving from lease contracts (Euros 646 million and Euros 64 million respectively at 31 December 2019) (see Note 17.1).

In general, the amount of lease contracts with purchase options coincides with the amount of the last instalment.

During the year ended 31 December 2020, ENDESA did not modify, renegotiate or cancel clauses contained in those lease agreements in which it acts as lessee and, consequently, neither the asset nor the liability representing the present value of the obligation to make the lease payments over the lease term was modified by the right of use of the leased asset nor the liability represented by the present value of the obligation to make the lease payments during the term of the lease (see Notes 2.2.1 and 38).

6.1.2. Rights of use as lessor.

Finance leases

At 31 December 2020 and 2019, ENDESA had not entered into any finance lease agreements in which it acted as lessor.

Operating leases.

During the 2020 financial year, within the framework of the sale operation and subsequent transfer of assets from ENDESA Energía, S.A.U. to ENDESA Soluciones, S.L. (see Notes 2.3.1, 2.4, 6.2. And 10.1), most of the contracts of operating leases that ENDESA Energía, S.A.U. had formalised as of 31 December 2019, have been transferred to ENDESA Soluciones, S.L. and have been cancelled as a result of the loss of control over it.

As of 31 December 2020 and 2019, future collections under operating leases are as follows:

| Millions of euros | | |
|------------------------------|------------------|------------------|
| | 31 December 2020 | 31 December 2019 |
| Within one year | 2 | 6 |
| Between one and two years | 4 | 7 |
| Between two and three years | 2 | 7 |
| Between three and four years | 2 | 4 |
| Between four and five years | 1 | 3 |
| More than five years | 4 | 6 |
| TOTAL | 15 | 33 |

Rental income recognised in 2020 totalled Euros 6 million (Euros 7 million in 2019).

During the year ended 31 December 2020, ENDESA did not amend, renegotiate or cancel any of the clauses contained in those lease agreements in which it acts as lessor. (see Notes 2.2.1 and 38).

6.2. Main investments and divestments.

Details of investment in Property, plant and equipment in 2020 and 2019 are as follows:

| Millions of euros | Property, plant and equipment ⁽¹⁾ | |
|-------------------------------------|--|--------------|
| | 2020 | 2019 |
| Generation and Supply | 897 | 1,290 |
| Distribution | 614 | 609 |
| Structure and Others ⁽²⁾ | 78 | 26 |
| TOTAL | 1,589 | 1,925 |

(1) Does not include corporate acquisitions for the year (see Note 5).

(2) Structure, Services and Adjustments.

The gross investments in generation of 2020 correspond for the most part to investments relating to the construction of facilities for the generation of electricity from renewable sources for an amount of Euros 394 million, of which Euros 17 million and Euros 75 million correspond to companies acquired and/or incorporated in 2020 and 2019 respectively (Euros 610 million in 2019) (see Note 5). They also include the recognition of a right of use asset, corresponding to the land where certain renewable generation facilities are located, for an amount of Euros 97 million.

Gross investments in supply in 2020 mainly related to the development of the new products and services activity for Euros 24 million (Euros 26 million in 2019). They also included recognition of a right-of-use asset, corresponding to the charter contract of a methane vessel for the transport of LNG, for an amount of Euros 121 million.

Gross investments in distribution relate to grid extensions and expenditure aimed at optimising the functioning of grid to ensure greater efficiency and service quality.

Regarding the gross structural investments and others, they include the recognition of a right of use asset, corresponding to the renewal of the lease contract for ENDESA's headquarters, located in Ribera del Loira (Madrid) for the amount of Euros 57 million (see Note 6.1.1).

In 2020, property, plant and equipment were derecognised in the amount of Euros 22 million as a result of the transfer of assets negotiated between ENDESA Energía, S.A.U. and ENDESA Soluciones, S.L. indicated above (see Notes 2.3.1, 2.4, 6.1.2 and 10.1).

During the 2020 financial year there were no significant cancellations under this heading in the Consolidated Statement of Financial Position other than those mentioned in the foregoing paragraph.

At 31 December 2020 the COVID-19 health crisis has not caused significant impacts in relation to the start-up dates of the projects envisaged in the investment plan, with no interruption in the development of any assets under construction that have meant the interruption of the capitalisation of financial expenses (see Notes 2.2.1 and 38).

6.3. Acquisition commitments.

At 31 December 2020 and 2019, the breakdown of commitments to purchase property, plant and equipment was as follows:

| Millions of euros | | |
|-------------------------------------|-------------------------------------|-------------------------------------|
| | 31 December 2020 ^{(1) (2)} | 31 December 2019 ^{(1) (2)} |
| Generation and Supply | 999 | 708 |
| Distribution | 212 | 143 |
| Structure and Others ⁽³⁾ | - | - |
| TOTAL | 1,211 | 851 |

(1) None of these amounts have been committed to Group companies or correspond to joint ventures.

(2) Including Euros 191 million and Euros 215 million at 31 December 2020 and 31 December 2019, respectively, relating to right of use assets.

(3) Structure, Services and Adjustments.

The commitments corresponding to generation assets mainly concern investments in production facilities and will materialise from 2021.

In the 2019 financial year, ENDESA, through ENEL Green Power España, S.L.U. (EGPE), was awarded power of 16.1 MW wind and 72.4 MW photovoltaic, in the two auctions carried out by the Ministry for the Ecological Transition and the Demographic Challenge and the Institute for Energy Diversification and Savings ("IDAE"), in the Non-mainland Territories ("TNP") of the Canary Islands and the Balearic Islands respectively (see Note 4).

Based on this and ENDESA's objective of reinforcing its presence in the Iberian generation market by expanding the portfolio of renewable assets in its production mix, at 31 December 2020, it had committed Euros 467 million to tangible investments related to electrical energy production facilities from renewable sources, of which Euros 9 million correspond to the auctions referred to in the foregoing paragraph (Euros 306 million and Euros 16 million, respectively, as of 31 December 2019).

The commitments corresponding to distribution assets include investments aimed at expanding or improving the network, with a focus on digitalising the network, on strengthening and increasing the resilience of assets, on improving service quality and transforming processes and systems.

6.4. Other information.

Geographical regions.

At 31 December 2020 and 2019, the detail of property, plant and equipment by geographical regions is as follows:

| Millions of euros | | |
|-------------------|------------------|------------------|
| | 31 December 2020 | 31 December 2019 |
| Spain | 20,989 | 20,957 |
| Portugal | 361 | 367 |
| France | 4 | 5 |
| TOTAL | 21,354 | 21,329 |

Co-ownerships

At 31 December 2020 and 2019, property, plant and equipment include the following co-owned assets:

| Millions of euros | | | |
|---|---------------|------------------|------------------|
| | Co-ownerships | | |
| | % Stake | 31 December 2020 | 31 December 2019 |
| Central Nuclear Vandellós II, C.B. | 72% | 820 | 855 |
| Central Nuclear Ascó II, C.B. | 85% | 632 | 647 |
| Central Nuclear Almaraz, C.B. | 36% | 344 | 368 |
| Salto del Navia, C.B. | 50% | 13 | 14 |
| Central Nuclear Trillo, C.B. ⁽¹⁾ | 1% | 11 | - |

(1) Acquisition by ENDESA Generación, S.A.U. from Nuclenor, S.A., on 29 July 2020, for an amount of Euros 11 million (see Note 2.5.1).

Environment.

In the years 2020 and 2019, ENDESA's investments and expenses in environmental protection activities were the following:

| Millions of euros | | |
|--|-------|-------|
| | 2020 | 2019 |
| Gross Investments | 61 | 131 |
| Accumulated Investment at Year End | 1,897 | 1,836 |
| Expenses | 238 | 177 |
| Depreciation, Amortisation and Impairment Losses | 180 | 115 |
| Other Expenses | 58 | 62 |

Impairment test.

During 2020 and 2019 impairment losses of Euros 323 million and Euros 1,757 million respectively were recognised, as per the following details:

| Millions of euros | | | |
|--|--------------------------|---------------------|--------------------|
| | Notes | 2020 | 2019 |
| Mainland coal-fired thermal power plants | | (17) ⁽¹⁾ | 1,352 |
| CGUs of the Non-mainland Territories ("TNP") | | 338 | 401 ⁽²⁾ |
| Others | | 2 | 4 |
| TOTAL | 3e.4, 28 and 33.2 | 323 | 1,757 |

- (1) It includes the provision for the impairment losses of the Los Barrios Port Terminal (Cádiz) (Euros 10 million), as well as the reversal of impairment losses of other non-financial assets (Euros 1 million) and the update of provisions for dismantling (Euros 26 million).
- (2) Euros 14 million have been allocated to the Alcudia Thermal Power Plant (Balearic Islands).

The recoverable value of these assets at 31 December 2020 and 2019 was as follows:

| Millions of euros | | |
|--|------------------|------------------|
| | 31 December 2020 | 31 December 2019 |
| Mainland coal-fired thermal power plants | - | - |
| CGUs of the Non-mainland Territories ("TNP") | 1,290 | 1,485 |
| Others | - | - |
| TOTAL | 1,290 | 1,485 |

During 2020 and 2019, the events leading to the main provisions for impairment were as follows:

- Mainland coal-fired thermal power plants.

During 2019 there was a profound change in the market conditions affecting coal-fired thermal power plants, deriving basically from international commodity prices and the effectiveness of the new mechanisms for regulating the market for CO₂ emission rights, which displaces the plants with the highest volume of emissions in favour of other technologies. In view of this structural situation ENDESA's mainland coal-fired thermal power plants are no longer competitive, and therefore their operation in the electricity generation market is not possible, as developments have shown.

In this context, on 27 September 2019 ENDESA decided to discontinue the operation of these facilities, in accordance with the established administrative and legal procedures. This decision entailed:

- Bringing forward the planned closing date of the thermal power plants involved, the economic useful life of which had previously been projected until 2035.
- Recognising a provision for the dismantling, removal or rehabilitation of the fixed assets concerned, including the expected costs of carrying out these operations until closing date, which, at 31 December 2019, were estimated at Euros 459 million (see Notes 3e.4 and 16.3).
- Re-evaluating whether to go ahead with certain investments committed to in these plants to meet the emission limits established by the Industrial Emissions Directive (IED) (Directive 2010/75/EU of 24 November).
- Developing a specific management model for these assets, geared to different objectives from those of other mainland generation assets in that it was expected that they would cease to generate cash

flows, or that these would tend to zero, so that there would be no interdependence with the flows generated by the other generation technologies (combined cycle, fuel oil, nuclear and renewable including hydroelectric) which are managed in an integrated way within the Generating Cash Unit (CGU) of the Iberian Peninsula. Therefore, the assets of the mainland coal-fired power plants ceased to form part of the Iberian Peninsula Generation CGU in 2019, and the impairment test was carried out individually on each coal-fired power plant.

- Evaluating the recoverability of these assets and consequently recognising an impairment loss of Euros 1,366 million, taking into account that the cash flows from these plants are expected to be negative for the remainder of their lives, both overall and on an annual basis (see Notes 3c, 3e.4, 9 and 28).

In financial year 2020 the update of the provision for impairment of the mainland coal-fired power plants in accordance with the decision adopted on 27 September 2019 to discontinue their operation led to the recognition of a net reversal in the amount of Euros 17 million (see Notes 3e.4 and 28).

- CGUs for each of the Non-mainland Territories (“TNP”) (Balearic Islands, Canary Islands and Ceuta and Melilla).

On 28 December 2019, Order TEC/1260/2019 of 26 December was published. It establishes the technical and economic parameters to be used in calculating remuneration for electricity production in Non-mainland Territories (“TNP”) with additional remuneration regimes during the 2020-2025 regulatory period (see Note 4). This revision of technical and economic parameters implied for ENDESA, among other things, a decrease in the remuneration of operating and maintenance costs for the 2020-2025 regulatory period, and as a consequence, the recoverable amount of the CGUs for each of the Non-mainland Territories (“TNP”) of the Balearic Islands, Canary Islands and Ceuta and Melilla is lower than its carrying amount, for which reason an impairment loss has been recognised in the Consolidated Income Statement for a total amount of Euros 404 million (see Notes 3e.4, 9 and 28).

At 31 December 2020 a re-estimate of the recoverable value of the assets of the Non-mainland Territories (“TNP”) was carried out, taking into account, among other aspects, the publication on 7 August 2020 in the Official State Gazette (“BOE”), of Order TED/776/2020 of 4 August revising the product and logistics prices to be used in determining the price of fuel and establishing a maximum value for the start-up settlement time per standard facility applicable to production facilities located in Non-mainland Territories (“TNP”) covered by the additional remuneration regime (see Note 4). As a consequence of this re-estimate, an impairment of the CGUs of each of the Non-mainland Territories (“TNP”) was recognised for a total amount of Euros 338 million (see Notes 3e.4 and 28).

Insurance.

ENDESA and its subsidiaries have taken out insurance policies to cover the risk of damage to their property, plant and equipment and any claims that could be filed against them in their business activities. ENDESA believes that these policies provide sufficient coverage for the risks to which it is exposed. Additionally, for certain assets, the possible loss of profits that could result from stoppages at the plants is covered. In 2020, pay-outs from insurance companies in relation to property damage arising from accidents amounted to Euros 7 million (Euros 5 million in 2019).

Under current legislation in Spain and pursuant to Law 24/2013 of 26 November on the electricity sector, ENDESA is insured for up to Euros 700 million against third-party liability claims for possible nuclear accidents at its plants. Any loss or damage in excess of this amount would be governed by the international conventions entered into by the Spanish state. The nuclear power plants are also insured against damage to their installations (including stocks of nuclear fuel) and machinery breakdowns, with maximum coverage of USD 1,500 million (approximately Euros 1,222 million) for each power plant.

On 28 May 2011, the Spanish government published Law 12/2011 of 27 May, on civil liability for nuclear damage or damage produced by radioactive materials which raises operator liability to Euros 1,200 million, while also allowing operators to cover this liability in several ways. This Standard will enter into force when, in turn, the Protocol of 12 February 2004 amending the Paris Convention on Civil Liability for Nuclear Damage and the Brussels Convention relating to it have been found. As at the date of formulation of these Consolidated Annual Accounts, the joint ratification of the Member States is pending, which will foreseeably take place in January 2022.

ENDESA has not detected any significant impacts during financial year 2020 in relation to the insurance that it has in place at the date of approval of these Consolidated Financial Statements (see Notes 2.2.1 and 38).

Other information.

At 31 December 2020 and 2019, the net book value of the thermal power plants for which ENDESA submitted to the competent authorities, during 2019 and 2018, the requests for authorization for closure and the provision for their decommissioning recorded under "Non-Current Provisions" in the Consolidated Statement of Financial Position is as follows:

Millions of euros

| Thermal power station | Application date | 31 December 2020 | | 31 December 2019 | |
|---|------------------|------------------|--|------------------|--|
| | | Carrying amount | Provision for decommissioning (Note 16.3) | Carrying amount | Provision for decommissioning (Note 16.3) |
| As Pontes (La Coruña) | 27 December 2019 | - | 116 | - | 132 |
| Litoral (Almería) | 27 December 2019 | - | 89 | - | 109 |
| Compostilla II (León) - Generators III, IV and V ⁽¹⁾ | 19 December 2018 | - | 79 | - | 105 |
| Teruel (Teruel) ⁽¹⁾ | 19 December 2018 | - | 83 | - | 113 |
| Alcudia (Balearic Islands) - Groups I and II | 27 December 2018 | - | 31 | - | 32 |
| TOTAL | | - | 398 | - | 491 |

(1) The closure must be made within a period of 12 months from the date of said Resolutions and its dismantling within a maximum period of 4 years from the date on which the closure becomes effective. Dismantling work started during the last quarter of 2020.

On 28 November 2019, ENDESA Generación, S.A.U. delivered to the Confederación Hidrográfica del Ebro all the infrastructures, works, land and assets used in the Lafortunada-Cinqueta Hydroelectric Power Plant, as a result of the resolution issued on 18 December 2017 by the Ministry of Agriculture and Fisheries, Food and Environment (currently the Ministry for Ecological Transition and the Demographic Challenge and Ministry of Agriculture, Fisheries and Food) ordering the extinction of the right to use the water of the River Cinqueta for industrial purposes and the reversion and delivery of all infrastructures involved in the operation of this Hydroelectric Power Plant (see Note 16.3). The carrying amount of this plant was zero at that date, so this operation had no impact on the Consolidated Income Statement.

At 31 December 2020 the Peña del Gato and Valdesamario wind farms held by Energías Especiales del Alto Ulla, S.A.U. (100% owned by ENEL Green Power España, S.L.U. (EGPE) were inactive as a result of the cancellation of the corresponding administrative authorisations. At the date of approval of these Consolidated Financial Statements ENDESA is re-processing both administrative authorisations and estimates that start-up will take place in mid-2021 (see Note 16.3).

Fully depreciated property, plant and equipment still in use at 31 December 2020 and 2019 was as follows:

Millions of euros

| | 31 December 2020 | 31 December 2019 |
|-----------------------------|------------------|------------------|
| Buildings | 47 | 37 |
| Other assets | 247 | 229 |
| TOTAL ⁽¹⁾ | 294 | 266 |

(1) Excluding Euros 2,811 million and Euros 513 million at December 31, 2020 and 2019, respectively, corresponding to fully depreciated thermal power plants whose closure has been authorised.

At 31 December 2020, property, plant and equipment amounting to Euros 79 million (Euros 91 million at 31 December 2019) had been pledged to secure financing received from third parties (see Notes 14.1.13, 17.2.3 and 35.1).

7. Investment property

The composition of this item of the accompanying Consolidated Statement of Financial Position at 31 December 2020 and 2019 and movements in the years then ended were as follows:

Millions of euros

| | Balance at 31 December 2019 | Companies added/(removed) | Investments | Impairment losses (Note 28) | Derecognitions due to sales | Others | Balance at 31 December 2020 |
|---------------------|-----------------------------|---------------------------|-------------|-----------------------------|-----------------------------|------------|-----------------------------|
| Investment Property | 61 | - | - | (2) | - | (1) | 58 |
| TOTAL | 61 | - | - | (2) | - | (1) | 58 |

Millions of euros

| | Balance at 31 December 2018 | Companies added/(removed) | Investments | Derecognitions due to sales (1) | Others | Balance at 31 December 2019 |
|---------------------|-----------------------------|---------------------------|-------------|---------------------------------|----------|-----------------------------|
| Investment Property | 62 | - | - | (1) | - | 61 |
| TOTAL | 62 | - | - | (1) | - | 61 |

(1) Corresponds to the sale of a property located in Madrid, which generated a capital gain of less than Euros 1 million.

7.1. Other information.

Geographical regions.

At 31 December 2020 and 2019, the details of investment property by geographical region were as follows:

Millions of euros

| | 31 December 2020 | 31 December 2019 |
|--------------|------------------|------------------|
| Spain | 58 | 61 |
| Portugal | - | - |
| TOTAL | 58 | 61 |

Insurance.

ENDESA has taken out insurance policies to cover the risk of damage to its investment property and any claims that could be filed against it in respect of its business activities. The Group considers that coverage provided by these policies is sufficient.

ENDESA has not detected any significant impacts during financial year 2020 in relation to the insurance that it has in place at the date of approval of these Consolidated Financial Statements (see Notes 2.2.1 y 38).

Other information.

The market value of investment property at 31 December 2020 was Euros 60 million (Euros 68 million at 31 December 2019) (see notes 3b and 18.6.2).

At 31 December 2020 and 2019, none of the investment property was fully depreciated and there were no restrictions on its sale.

Direct expenses recognised in the 2020 and 2019 Consolidated Income Statements for investment property were not material.

At 31 December 2020 and 2019, ENDESA held no contractual obligations to purchase, build or develop any investment property, or any obligations concerning repairs, maintenance and improvements.

8. Intangible assets.

The composition of this item of the accompanying Consolidated Statement of Financial Position at 31 December 2020 and 2019 and movements in the years then ended were as follows:

Millions of euros

| | 31 December 2020 | | | |
|------------------------------|------------------|--------------------------|-------------------|-----------------|
| | Cost | Accumulated amortisation | Impairment losses | Carrying amount |
| Software applications | 1,843 | (1,341) | - | 502 |
| Concessions | 65 | (28) | (4) | 33 |
| Cost of customer acquisition | 337 | (171) | - | 166 |
| Others | 930 | (232) | - | 698 |
| TOTAL | 3,175 | (1,772) | (4) | 1,399 |

Millions of euros

| | 31 December 2019 | | | |
|------------------------------|------------------|--------------------------|-------------------|-----------------|
| | Cost | Accumulated amortisation | Impairment losses | Carrying amount |
| Software applications | 1,730 | (1,220) | - | 510 |
| Concessions | 104 | (27) | (41) | 36 |
| Cost of customer acquisition | 240 | (112) | - | 128 |
| Others | 885 | (184) | - | 701 |
| TOTAL | 2,959 | (1,543) | (41) | 1,375 |

Millions of euros

| | Balance at 31 December 2019 | Companies added/(removed) (Note 5) | Investments (Note 8.1) | Amortisation, and impairment losses (1) | Withdrawals | Transfers and other | Balance at 31 December 2020 |
|------------------------------|-----------------------------|------------------------------------|------------------------|---|-------------|---------------------|-----------------------------|
| Software applications | 510 | - | 130 | (126) | - | (12) | 502 |
| Concessions | 36 | - | - | - | (3) | - | 33 |
| Cost of customer acquisition | 128 | - | 98 | (60) | - | - | 166 |
| Others | 701 | 46 | 6 | (55) | - | - | 698 (2) |
| TOTAL | 1,375 | 46 | 234 | (241) | (3) | (12) | 1,399 |

(1) Includes reversal of impairment losses (Euros 2 million) and the amortisation charge (Euros 243 million) (see Note 28).

(2) Includes the authorizations for the operation of the wind farms of ENEL Green Power España, S.L.U. (EGPE) and the customer portfolios (see 3d.3) acquired in the amount of (EGPE) and the customer portfolios (see 3d.3) acquired for Euros 646 million and Euros 19 million, respectively.

Millions of euros

| | Balance at 31 December 2018 | Companies added/(removed) (Note 5) | Investments (Note 8.1) | Amortisation and Impairment Losses (1) | Transfers and other (6) | Balance at 31 December 2019 |
|------------------------------|-----------------------------|------------------------------------|------------------------|--|-------------------------|-----------------------------|
| Software applications | 499 | - | 151 | (139) | (1) | 510 |
| Concessions | 33 | - | - | 3 | - | 36 |
| Cost of customer acquisition | 111 | - | 75 | (58) | - | 128 |
| Others | 712 | 40 | 8 | (52) | (7) | 701 (2) |
| TOTAL | 1,355 | 40 | 234 | (246) | (8) | 1,375 |

(1) Includes reversal of impairment losses (Euros 5 million) and the amortisation charge (Euros 251 million) (see Note 28).

(2) Includes the authorizations for the operation of the wind farms of ENEL Green Power España, S.L.U. (EGPE) and the customer portfolios (see 3d.3) acquired in the amount of (EGPE) and the customer portfolios (see 3d.3) acquired for Euros 643 million and Euros 21 million, respectively.

8.1. Main investments and divestments.

Details of investments in intangible assets in 2020 and 2019 are as follows:

Millions of euros

| | Intangible investments (1) | |
|--------------------------|----------------------------|------------|
| | 2020 | 2019 |
| Generation and Supply | 185 | 160 |
| Distribution | 22 | 40 |
| Structure and Others (2) | 27 | 34 |
| TOTAL | 234 | 234 |

(1) Does not include corporate acquisitions for the year (see Note 5).

(2) Structure, Services and Adjustments.

Gross investments in intangible assets in 2020 mainly correspond to IT applications and ongoing investments in ICT activities for the sum of Euros 130 million and the capitalisation of incremental costs incurred in acquiring customer contracts for the sum of Euros 98 million (Euros 151 million and Euros 75 million respectively in 2019).

8.2. Acquisition commitments.

At 31 December 2020 and 2019, the breakdown of commitments to purchase intangible assets, mainly software, was as follows:

| Millions of euros | | |
|-------------------------------------|---------------------------------|---------------------------------|
| | 31 December 2020 ⁽¹⁾ | 31 December 2019 ⁽¹⁾ |
| Generation and Supply | 17 | 21 |
| Distribution | - | - |
| Structure and Others ⁽²⁾ | 2 | 6 |
| TOTAL | 19 | 27 |

(1) None of these amounts have been committed to Group companies or correspond to Joint Ventures.

(2) Structure, Services and Adjustments.

8.3. Other information.

Additions/removals of companies.

During financial years 2020 and 2019, as a result of the acquisition of companies for the development of the renewable energy business, the heading "Others" registered increases of Euros 46 million and Euros 40 million respectively, due to the allocation of the purchase price to the corresponding intangible assets, basically the licences acquired for the development of the wind and photovoltaic projects (see Notes 2.3.1 and 5).

Geographical regions.

At 31 December 2020 and 2019, the details of intangible assets by geographical region were as follows:

| Millions of euros | | |
|-------------------|------------------|------------------|
| | 31 December 2020 | 31 December 2019 |
| Spain | 1,392 | 1,374 |
| Portugal | 7 | 1 |
| TOTAL | 1,399 | 1,375 |

Impairment test.

In financial year 2020 a reversal of impairment losses amounting to Euros 2 million was recognised, basically concerning the provision set aside in prior years for the Distribuidora Eléctrica del Puerto de la Cruz, S.A.U. concession, as a result of better than expected cash flows (Euros 5 million in 2019) (see Notes 28 and 33.2).

The recoverable amount of this concession at 31 December 2020 was Euros 50 million (Euros 41 million at 31 December 2019).

Other information.

Fully amortised intangible assets still in use stood at Euros 67 million at 31 December 2020 (Euros 46 million at 31 December 2019).

9. Goodwill

The composition of this item of the accompanying Consolidated Statement of Financial Position at 31 December 2020 and 2019 and movements in the years then ended were as follows:

| Millions of euros | | | |
|--|-----------------------------|-------------------|-----------------------------|
| | Balance at 31 December 2019 | Impairment losses | Balance at 31 December 2020 |
| ENEL Green Power España, S.L.U. (EGPE) ⁽¹⁾ | 296 | - | 296 |
| Eléctrica del Ebro, S.A.U. ⁽²⁾ | 2 | - | 2 |
| Empresa de Alumbrado Eléctrico de Ceuta, S.A. ⁽²⁾ | 21 | - | 21 |
| Systems and Telecommunications Activity (ICT) ⁽³⁾ | 143 | - | 143 |
| TOTAL | 462 | - | 462 |

(1) Allocated to the Iberian Peninsula Generation CGU (see Note 33.2).

(2) Allocated to the Distribution CGU (see Note 33.2).

(3) Allocated to the Iberian Peninsula Generation CGU (Euros 65 million), the Distribution CGU (Euros 74 million) and ENDESA, S.A. (Euros 4 million) (see Note 33.2).

Millions of euros

| | Balance at 31 December 2018 | Impairment Losses (Notes 3e.4, 28 & 33.2) | Balance at 31 December 2019 |
|--|--------------------------------|--|-----------------------------|
| ENEL Green Power España, S.L.U. (EGPE) ⁽¹⁾ | 296 | - | 296 |
| Eléctrica del Ebro, S.A.U. ⁽²⁾ | 2 | - | 2 |
| Empresa de Alumbrado Eléctrico de Ceuta, S.A. ⁽²⁾ | 21 | - | 21 |
| Systems and Telecommunications Activity (ICT) ⁽³⁾ | 160 | (17) | 143 |
| TOTAL | 479 | (17) | 462 |

(1) Allocated to the Iberian Peninsula Generation CGU (see Note 33.2).

(2) Allocated to the Distribution CGU (see Note 33.2).

(3) Allocated to the Iberian Peninsula Generation CGU (Euros 65 million), the Distribution CGU (Euros 74 million) and ENDESA, S.A. (Euros 4 million) (see Note 33.2).

9.1 Other information

Geographical Areas

All goodwill relates to the geographical region of Spain.

Impairment test.

At 31 December 2020, ENDESA assessed the recoverability of this goodwill, for which it performed an impairment test on the Cash Generating Units (CGUs) to which these assets were assigned. The methodology, basic assumptions and sensitivity analysis used to perform these impairment tests are indicated in Notes 3e.3, 3e.4 and 3e.5.

As a result of the loss of value referred to in Note 3e.4, in 2019 an impairment of the goodwill of the ICT business was recognised and allocated to the Iberian Peninsula Generation CGU in the amount of Euros 14 million and for the Canary Islands CGU an impairment of Euros 3 million was recognised (see Notes 6.4, 28 and 33.2).

10. Investments accounted for using the equity method and joint operation entities

10.1. Investments accounted for using the equity method.

Details of this heading in the accompanying Consolidated Statement of Financial Position at 31 December 2020 and 2019 are as follows:

| Millions of euros | 31 December 2020 | 31 December 2019 |
|-------------------|------------------|------------------|
| Associates | 87 | 81 |
| Joint Ventures | 130 | 151 |
| TOTAL | 217 | 232 |

The full list of investees over which ENDESA has significant influence is provided in Appendix II to these Consolidated Financial Statements. These companies do not have publicly listed share prices.

At 31 December 2020 and 2019 there were no significant restrictions imposed on the capacity of associates or joint ventures to transfer funds to ENDESA in the form of cash dividends, or to repay loans or advances made by ENDESA (see Note 14,1.12).

ENDESA did not have any significant contingent liabilities related to associates or joint ventures at 31 December 2020 and 2019.

Loans and guarantees granted to associates and joint ventures at 31 December 2020 and 2019, as well as transactions with these companies in 2020 and 2019 are detailed in Notes 18.1.1 and 34.2.

At 31 December 2020 and 2019, the details and movements of this item of the accompanying Consolidated Statement of Financial Position were as follows:

Millions of euros

| | Balance at 31 December 2019 | Inclusion/(exclusion) of companies | Investments or increases | Disposals or Reductions | Share of profit/(loss) of equity-accounted investees | Dividends | Transfers and other | Balance at 31 December 2020 |
|---|-----------------------------|------------------------------------|--------------------------|-------------------------|--|-------------|---------------------|-----------------------------|
| Associates | 81 | 6 | 2 | - | 1 | (3) | - | 87 |
| Tecnatom, S.A. | 31 | - | - | - | (2) | - | - | 29 |
| Elcogas, S.A. (in liquidation) | - | - | - | - | - | - | - | - |
| Gorona del Viento El Hierro, S.A. | 12 | - | - | - | - | - | - | 12 |
| Boiro Energía, S.A. | 9 | - | - | - | 1 | - | - | 10 |
| Compañía Eólica Tierras Altas, S.A. | 9 | - | - | - | - | (1) | - | 8 |
| ENDESA Soluciones, S.L. | - | 6 | 2 | - | - | - | - | 8 |
| Others | 20 | - | - | - | 2 | (2) | - | 20 |
| Joint Ventures | 151 | - | - | (3) | 33 | (25) | (26) | 130 |
| Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A. | 57 | - | - | - | (3) | (9) | - | 45 |
| Front Marítim del Besòs, S.L. | 37 | - | - | - | (4) | - | - | 33 |
| Nuclenor, S.A. | - | - | - | - | 25 | - | (25) | - |
| Énergie Électrique de Tahaddart, S.A. | 26 | - | - | (3) | 1 | (2) | - | 22 |
| Suministradora Eléctrica de Cádiz, S.A. | 11 | - | - | - | 5 | (3) | - | 13 |
| Others | 20 | - | - | - | 9 | (11) | (1) | 17 |
| TOTAL | 232 | 6 | 2 | (3) | 34 | (28) | (26) | 217 |

Millions of euros

| | Balance at 31 December 2018 | Additions/Exclusions of companies | Investments or increases | Disposals or Reductions | Share of profit/(loss) of equity-accounted investees | Dividends | Transfers and other | Balance at 31 December 2019 |
|---|-----------------------------|-----------------------------------|--------------------------|-------------------------|--|-------------|---------------------|-----------------------------|
| Associates | 80 | - | - | - | 5 | (4) | - | 81 |
| Tecnatom, S.A. | 30 | - | - | - | 1 | - | - | 31 |
| Elcogas, S.A. | - | - | - | - | - | - | - | - |
| Gorona del Viento El Hierro, S.A. | 11 | - | - | - | 1 | - | - | 12 |
| Boiro Energía, S.A. | 9 | - | - | - | - | - | - | 9 |
| Compañía Eólica Tierras Altas, S.A. | 11 | - | - | - | - | (2) | - | 9 |
| Others | 19 | - | - | - | 3 | (2) | - | 20 |
| Joint Ventures | 169 | - | 13 | - | 10 | (26) | (15) | 151 |
| Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A. | 71 | - | - | - | (7) | (7) | - | 57 |
| Front Marítim del Besòs, S.L. | 37 | - | - | - | - | - | - | 37 |
| Nuclenor, S.A. | - | - | 13 | - | - | - | (13) | - |
| Énergie Électrique de Tahaddart, S.A. | 28 | - | - | - | 2 | (3) | (1) | 26 |
| Suministradora Eléctrica de Cádiz, S.A. | 10 | - | - | - | 4 | (3) | - | 11 |
| Others | 23 | - | - | - | 11 | (13) | (1) | 20 |
| TOTAL | 249 | - | 13 | - | 15 | (30) | (15) | 232 |

Associates.

Information at 31 December 2020 and 2019 taken from the financial statements of the main associates, used to prepare the accompanying Consolidated Financial Statements is as follows:

Millions of euros

| | Statement of Financial Position | | | | | | | | | | | |
|-------------------------------------|---------------------------------|------------------|--------------------------------|------------------|-----------------------------------|------------------|---------------------|------------------|-------------------------------------|------------------|-------------------------|------------------|
| | Tecnatom, S.A. | | Elcogas, S.A. (in liquidation) | | Gorona del Viento El Hierro, S.A. | | Boiro Energía, S.A. | | Compañía Eólica Tierras Altas, S.A. | | ENDESA Soluciones, S.L. | |
| | 31 December 2020 | 31 December 2019 | 31 December 2020 | 31 December 2019 | 31 December 2020 | 31 December 2019 | 31 December 2020 | 31 December 2019 | 31 December 2020 | 31 December 2019 | 31 December 2020 | 31 December 2019 |
| Non-current | 60 | 64 | - | - | 73 | 74 | 6 | 6 | 21 | 23 | 37 | - |
| Current assets | 58 | 62 | 18 | 21 | 11 | 11 | 25 | 24 | 3 | 4 | 38 | - |
| Cash and Cash Equivalents | 14 | 17 | 17 | 18 | 10 | 7 | 8 | 4 | 2 | 2 | 33 | - |
| Other current | 44 | 45 | 1 | 3 | 1 | 4 | 17 | 20 | 1 | 2 | 5 | - |
| Total Assets | 118 | 126 | 18 | 21 | 84 | 85 | 31 | 30 | 24 | 27 | 75 | - |
| Equity | 62 | 67 | (113) | (118) | 52 | 52 | 24 | 23 | 20 | 23 | 44 | - |
| Non-Current | 23 | 24 | 129 | 129 | 30 | 31 | 5 | 4 | 2 | 2 | 22 | - |
| Non-current Financial Debt | 22 | 23 | 129 | 129 | - | - | - | - | - | - | 22 | - |
| Other non-current Liabilities | 1 | 1 | - | - | 30 | 31 | 5 | 4 | 2 | 2 | - | - |
| Current liabilities | 33 | 35 | 2 | 10 | 2 | 2 | 2 | 3 | 2 | 2 | 9 | - |
| Current Financial Debt | 9 | 10 | - | - | - | 2 | - | - | - | - | 2 | - |
| Other current | 24 | 25 | 2 | 10 | 2 | - | 2 | 3 | 2 | 2 | 7 | - |
| Total equity and liabilities | 118 | 126 | 18 | 21 | 84 | 85 | 31 | 30 | 24 | 27 | 75 | - |

Millions of euros

| | Income Statement | | | | | | | | | | | |
|---|------------------|----------|--------------------------------|------------|-----------------------------------|----------|---------------------|----------|-------------------------------------|----------|-------------------------|----------|
| | Tecnatom, S.A. | | Elcogas, S.A. (in liquidation) | | Gorona del Viento El Hierro, S.A. | | Boiro Energía, S.A. | | Compañía Eólica Tierras Altas, S.A. | | ENDESA Soluciones, S.L. | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Income | 78 | 104 | 5 | - | 8 | 19 | 16 | 20 | 8 | 12 | 15 | - |
| Depreciation, Amortisation and Impairment Losses | (8) | (9) | - | - | (3) | (6) | (1) | - | (3) | (2) | (5) | - |
| Finance Income | - | - | - | - | - | - | - | - | - | - | - | - |
| Finance Expense | - | (1) | - | - | - | - | - | - | - | - | - | - |
| Profit/(loss) before tax | (5) | 2 | 5 | (7) | 1 | 5 | 2 | 1 | - | 2 | 2 | - |
| Corporate Income tax | - | - | - | - | - | - | - | - | - | (1) | (1) | - |
| Profit/(loss) from continuing operations | (5) | 2 | 5 | (7) | 1 | 5 | 2 | 1 | - | 1 | 1 | - |
| Profit/(loss) after tax from discontinued operations | - | - | - | - | - | - | - | - | - | - | - | - |
| Other comprehensive | - | - | - | - | - | - | - | - | - | - | - | - |
| Total comprehensive | (5) | 2 | 5 | (7) | 1 | 5 | 2 | 1 | - | 1 | 1 | - |

These figures correspond to information on the individual companies, except those of Tecnatom, S.A. which correspond to its Consolidated Financial Statements.

ENDESA Soluciones, S.L.

On 3 April 2020, ENDESA Energía, S.A.U., as Sole Shareholder of ENDESA Soluciones, S.L., agreed a capital increase in said company for a total amount of Euros 29 million carried out by means of a non-monetary contribution of assets dedicated to added value services and a monetary contribution, for Euros 27 million (see Note 6) and Euros 2 million respectively.

On 11 May 2020, ENDESA Energía, S.A.U. sold 80% of its holding in ENDESA Soluciones, S.L. to a third party for an amount of Euros 21 million, net of the cash available in the company sold (see Note 32.2). The gross result generated by the divestment transaction amounted to less than Euros 1 million (see Notes 2.3.1 and 2.4).

Subsequently, 4 non-monetary contributions were made to ENDESA Soluciones, S.L., 3 of them by ENDESA Energía, S.A.U. and the last one by ENDESA X Servicios, S.L.U. (see Note 6.2).

Joint ventures

Information at 31 December 2020 and 2019 taken from the financial statements of the main joint ventures, used to prepare the accompanying Consolidated Financial Statements, is as follows:

Millions of euros

| Statement of Financial Position | | | | | | | | | | |
|---|---|-------------------------|----------------------------------|------------------------|-------------------------|-------------------------|--|---------------------|--|---------------------|
| | Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A. | | Front Marítim del Besòs, S.L. | | Nuclenor, S.A. | | Énergie Électrique de Tahaddart, S.A. | | Suministradora Eléctrica de Cádiz, S.A. | |
| | 31 Decemb er 2020 | 31 Decemb er 2019 | 31 Decembe r 2020 | 31 December 2019 | 31 Decemb er 2020 | 31 Decemb er 2019 | 31 December 2020 | 31 December 2019 | 31 December 2020 | 31 December 2019 |
| Non-current assets | 82 | 146 | - | - | 7 | 31 | 62 | 77 | 67 | 66 |
| Current assets | 128 | 132 | 136 | 164 | 47 | 38 | 19 | 20 | 32 | 19 |
| Cash and Cash Equivalents | 60 | 57 | 1 | 2 | 2 | 1 | 10 | 10 | 15 | 8 |
| Other current | 68 | 75 | 135 | 162 | 45 | 37 | 9 | 10 | 17 | 11 |
| Total Assets | 210 | 278 | 136 | 164 | 54 | 69 | 81 | 97 | 99 | 85 |
| Equity | 155 | 168 | 135 | 152 | 4 | 3 | 70 | 83 | 35 | 32 |
| Non-Current | 21 | 25 | - | - | 17 | 21 | 5 | 6 | 19 | 20 |
| Non-current Financial Debt | - | - | - | - | - | - | 5 | 6 | 7 | 4 |
| Other non-current Liabilities | 21 | 25 | - | - | 17 | 21 | - | - | 12 | 16 |
| Current liabilities | 34 | 85 | 1 | 12 | 33 | 45 | 6 | 8 | 45 | 33 |
| Current Financial Debt | - | 45 | - | 12 | - | - | - | - | 17 | - |
| Other current | 34 | 40 | 1 | - | 33 | 45 | 6 | 8 | 28 | 33 |
| Total equity and liabilities | 210 | 278 | 136 | 164 | 54 | 69 | 81 | 97 | 99 | 85 |

Millions of euros

| Income Statement | | | | | | | | | | | |
|--|---|-----------|----------------------------------|----------|-------------------|----------|--|----------|--|-----------|--|
| | Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A. | | Front Marítim del Besòs, S.L. | | Nuclenor, S.A. | | Énergie Électrique de Tahaddart, S.A. | | Suministradora Eléctrica de Cádiz, S.A. | | |
| | 20 | 2019 | 2020 | 2019 | 202 | 2019 | 2020 | 2019 | 2020 | 2019 | |
| Income | 11 | 145 | - | - | 33 | 14 | 33 | 37 | 25 | 18 | |
| Depreciation, Amortisation and | (5) | (57) | - | - | (29) | (2) | (15) | (15) | (3) | (3) | |
| Finance Income | - | - | - | - | 1 | - | - | - | - | - | |
| Finance Expense | - | - | - | - | - | (1) | - | - | - | - | |
| Profit(loss) before tax | 17 | 21 | (17) | - | - | - | 5 | 9 | 21 | 11 | |
| Corporate Income tax | (1) | (7) | - | - | - | 1 | (2) | (3) | (7) | - | |
| Profit(loss) from continuing operations | 7 | 14 | (17) | - | - | 1 | 3 | 6 | 14 | 11 | |
| Profit(loss) after tax from discontinued operations | - | - | - | - | - | - | - | - | - | - | |
| Other comprehensive income | - | - | - | - | 2 | - | - | 1 | - | - | |
| Total comprehensive income | 7 | 14 | (17) | - | 2 | 1 | 3 | 7 | 14 | 11 | |

Details of these Joint Ventures' equity correspond to information on the individual companies.

Nuclenor, S.A.

The results of the 50% stake in Nuclenor, S.A. for an amount of Euros 25 million reflect the effect of Ruling 84/2020 of the Constitutional Court dated 15 July 2020 declaring a regional tax unconstitutional. The tax in

question was the tax on the environmental impact caused by certain uses of dammed water by wind farms and high voltage electric power transport facilities regulated in the revised text of the legal provisions of the Autonomous Region of Castilla y León regarding own and assigned taxes.

Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.

In financial years 2020 and 2019, the results of the 43.75% holding in Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A. include provisioning in respect of the ending of the long-term electricity sale contract with Rede Eléctrica Nacional, S.A. (REN) in November 2021.

Énergie Électrique de Tahaddart, S.A.

On 24 November 2020 the shareholders of Énergie Électrique de Tahaddart, S.A. agreed to reduce the company's capital by 15% and reimburse the shareholders proportionally, ENDESA's share being Euros 3 million (see Note 32.2).

Front Marítim del Besòs, S.L.

In financial year 2020, the result of the 61.37% stake in Front Marítim del Besòs, S.L. includes the impairment of the lands of the Tres Chimeneas site in Sant Adrià de Besòs (Barcelona) as a result of appraisals made by third parties in December 2020.

At 31 December 2020 and 2019, the reconciliation of the book value of the stake in Front Marítim del Besòs, S.L. to the financial information of this company is as follows:

| Millions of euros | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| Equity of the Company | 135 | 152 |
| Equity Participation (61.37%) | 83 | 93 |
| Elimination ⁽¹⁾ | (50) | (56) |
| Investment accounted for by the equity method | 33 | 37 |

(1) Elimination of the result generated in ENDESA Generación, S.A.U., in proportion to its percentage of ownership, due to the contribution made to the company of certain lands it owned in the Tres Chimeneas site in Sant Adrià de Besòs (Barcelona).

Remaining companies.

At 31 December 2020 and 2019, the aggregate information in the financial statements of the remaining associates and joint ventures considered individually as not significant that served as the basis for the preparation of the Consolidated Financial Statements is as follows:

| Millions of euros | Associates | | Joint Ventures | |
|--|------------|----------|----------------|-----------|
| | 2020 | 2019 | 2020 | 2019 |
| Profit/(loss) from continuing operations | 5 | 6 | 22 | 22 |
| Profit/(loss) after tax from discontinued operations | - | - | - | - |
| Other comprehensive income | - | 1 | - | (6) |
| Total comprehensive income | 5 | 7 | 22 | 16 |

10.2. Joint operation entities

At 31 December 2020 and 2019 information taken from the financial statements of the main joint operation entities, used to prepare the accompanying Consolidated Financial Statements is as follows:

Millions of euros

| | Statement of Financial Position | |
|-------------------------------------|--|------------------|
| | Asociación Nuclear Ascó-Vandellós II, A.I.E. | |
| | 31 December 2020 | 31 December 2019 |
| Non-current assets | 141 | 146 |
| Current assets | 117 | 116 |
| Cash and Cash Equivalents | - | - |
| Other current assets | 117 | 116 |
| Total Assets | 258 | 262 |
| Equity | 16 | 16 |
| Non-Current liabilities | 168 | 161 |
| Non-current Financial Debt | - | - |
| Other non-current Liabilities | 168 | 161 |
| Current liabilities | 74 | 85 |
| Current Financial Debt | - | - |
| Other current liabilities | 74 | 85 |
| Total equity and liabilities | 258 | 262 |

Millions of euros

| | Income Statement | |
|---|--|-------------|
| | Asociación Nuclear Ascó-Vandellós II, A.I.E. | |
| | 2020 | 2019 |
| Income | 237 | 251 |
| Depreciation, Amortisation and Impairment Losses | - | - |
| Finance Income | 1 | - |
| Finance Expense | (2) | (2) |
| Income before Tax | 21 | 36 |
| Corporate Income tax | - | - |
| Profit/(loss) from continuing operations | 21 | 36 |
| Profit/(loss) after tax from discontinued operations | - | - |
| Other comprehensive income | (21) | (36) |
| Total comprehensive income | - | - |

The breakdown of cash flows generated by joint operations in financial years 2020 and 2019 is as follows:

Millions of euros

| | 2020 | 2019 |
|--|------|------|
| Net cash flows from operating activities | 4 | 17 |
| Net cash flows from/(used in) investing activities | (5) | (17) |
| Net cash flows from/(used in) financing activities | - | - |

At 31 December 2020 and 2019, ENDESA has not incurred any significant contingent liabilities related to the joint operation entities.

11. Inventories.

Details of this heading in the Consolidated Statement of Financial Position at 31 December 2020 and 2019 are as follows:

Millions of euros

| | 31 December 2020 | 31 December 2019 |
|---|------------------|------------------|
| Energy stocks: | 476 | 591 |
| Coal | 32 | 115 |
| Nuclear fuel | 254 | 276 |
| Fuel oil | 85 | 90 |
| Gas | 105 | 110 |
| Other inventories | 316 | 290 |
| Carbon dioxide (CO ₂) emission rights | 344 | 408 |
| Value corrections | (59) | (112) |
| TOTAL | 1,077 | 1,177 |

11.1. Carbon dioxide (CO₂) emission rights.

In financial years 2020 and 2019 the CO₂ emission rights for 2019 and 2018 were redeemed, which resulted in cancellations of Euros 355 million and Euros 365 million respectively (17.3 million metric tons and 31.1 million metric tons respectively).

At 31 December 2020, the provision for allowances to be delivered to cover the CO₂ emissions included under Current Provisions in the Consolidated Statement of Financial Position amounted to Euros 236 million (Euros 364 million at 31 December 2019) (see Note 23).

11.2. Acquisition commitments.

Inventory purchase commitments amounted to Euros 14,722 million at 31 December 2020 (Euros 19,578 million at 31 December 2019), of which a portion corresponded to agreements with "take or pay" clauses.

Millions of euros

| Future purchase commitments at 31 December 2020 ⁽¹⁾ | | | | | | | |
|--|--|-------------|-----------------|------------|---------------|-----------|---------------|
| | CO ₂ emission rights ⁽²⁾ | Electricity | Nuclear fuel | Fuel oil | Gas | Others | Total |
| 2021-2025 | 96 | 20 | 400 | - | 5,806 | 17 | 6,339 |
| 2026-2030 | - | - | 95 | 371 | 4,398 | - | 4,864 |
| 2031-2035 | - | - | - | - | 3,519 | - | 3,519 |
| TOTAL | 96 | 20 | 495 | 371 | 13,723 | 17 | 14,722 |

(1) None of these amounts correspond to joint ventures.

(2) Commitments with Group companies (see Note 34.1.2)

At 31 December 2020 and 2019, commitments to acquire inventories included the commitment to acquire LNG under contracts arranged in 2014 with Corpus Christi Liquefaction, LLC, part of which are guaranteed by ENEL, S.p.A. (see Note 34.1.2).

Regarding the contracts that contain "take or pay" clauses, in the current context, the forecasts indicate that ENDESA will continue to consume the inventories determined in said contracts (see Notes 2.2.1 and 38).

The Company's Directors consider that ENDESA will be able to fulfil these obligations and, therefore, they do not expect any contingency to arise in this respect.

11.3. Other information.

Valuation adjustments.

In financial year 2020, an impairment of coal stocks was recognised in an amount of Euros 9 million, related to the decommissioning of the mainland coal-fired thermal plants (Euros 82 million in financial year 2019). In financial year 2019 an impairment was also recognised in respect of other materials related to these plants, amounting to Euros 21 million.

Insurance.

ENDESA has taken out insurance policies to cover the risk of damage to its inventories. It considers that coverage provided by these policies is sufficient.

ENDESA has not detected any significant impacts during financial year 2020 in relation to the insurance that it has in place at the date of approval of these Consolidated Financial Statements (see Notes 2.2.1 and 38).

Other information.

At 31 December 2020 and 2019, ENDESA had not pledged material amounts of inventories to secure the repayment of debts.

12. Trade and other receivables.

Details of this heading in the Consolidated Statement of Financial Position at 31 December 2020 and 2019 are as follows:

Millions of euros

| | Notes | 31 December 2020 | 31 December 2019 |
|---|-----------------|------------------|------------------|
| Customers for Sales & Services and other Debtors | 18 | 2,572 | 2,483 |
| Trade receivables for sales and services | 19.5 | 2,556 | 2,479 |
| Electricity trade receivables | | 1,863 | 1,891 |
| Gas trade receivables | | 364 | 433 |
| Receivables from other transactions | | 197 | 83 |
| Receivables from Group Companies and Associates | 34.1.3 and 34.2 | 132 | 72 |
| Assets from contracts with customers | 19.5 | 11 | 15 |
| Other receivables | | 459 | 456 |
| Other receivables from third parties | | 318 | 377 |
| Other receivable from Group companies and associates | 34.1.3 and 34.2 | 141 | 79 |
| Value corrections | | (454) | (467) |
| Trade receivables for sales and services | 19.5 | (373) | (369) |
| Assets from contracts with customers | 19.5 | (1) | (1) |
| Other receivables | | (80) | (97) |
| Derivatives ⁽¹⁾ | 18.3 | 467 | 563 |
| Hedging derivatives | | 167 | 163 |
| Derivatives not designated as hedging instruments | | 300 | 400 |
| Tax assets | | 538 | 439 |
| Current income tax | | 426 | 291 |
| Value added tax (VAT) receivable | | 99 | 133 |
| Other taxes | | 13 | 15 |
| TOTAL | | 3,577 | 3,485 |

(1) Includes Euros 356 million with Group Companies and Associates (Euros 431 million with Group Companies, Associates and Joint Ventures at 31 December 2019) (see Notes 34.1.3 and 34.2).

Balances included under this item of the Consolidated Statement of Financial Position do not generally accrue interest.

At 31 December 2020 and 2019, no one customer had balances payable to ENDESA that were significant with respect to ENDESA's total revenues or receivables (see Note 19.6).

Since usual meter reading periods do not match the financial reporting date, ENDESA makes an estimate of unbilled sales made by its supply companies ENDESA Energía, S.A.U., Energía XXI Comercializadora de Referencia, S.L.U., Empresa de Alumbrado Eléctrico de Ceuta, S.A. and Energía Ceuta XXI Comercializadora de Referencia, S.L.U. which are pending billing.

At 31 December 2020, the cumulative balances of unbilled electricity and gas sales are recognised under Trade and other Receivables in the accompanying Consolidated Statement of Financial Position and total Euros 984 million and Euros 333 million respectively (Euros 876 million and Euros 411 million, respectively, at 31 December 2019) (see Note 2.2).

During 2020 and 2019, movement of current assets of contracts with customers was as follows:

Millions of euros

| | 2020 | 2019 |
|-------------------------------|-----------|-----------|
| Opening balance | 15 | 12 |
| Allocation to profit and loss | 64 | 60 |
| Derecognitions | (68) | (57) |
| Closing balance | 11 | 15 |

At 31 December 2020 and 2019, the current assets of contracts with customers mainly correspond to contracts for the execution of works arranged between ENDESA Ingeniería, S.L.U. and Red Eléctrica de España, S.A.U. (REE) which will be in force until 2025. In 2020, these assets generated revenues amounting to Euros 37 million, recognised under Sales in the Consolidated Income Statement (Euros 41 million in 2019).

At 31 December 2020 ENDESA had future service commitments in place for an amount of Euros 28 million relating to contracts for the execution of works arranged with Red Eléctrica de España, S.A.U. (REE) (Euros 20 million at 31 December 2019).

12.1. Other information.

Average Collection Period.

The average collection period for trade receivables was 32 days in 2020 and 29 days in 2019, so the fair value does not differ significantly from the carrying amount.

Valuation adjustments.

The movement in Value adjustments in 2020 and 2019 was as follows:

| Millions of euros | | | |
|------------------------|-------------------|------------|------------|
| | Notes | 2020 | 2019 |
| Opening balance | | 467 | 474 |
| Charges | 18.4.1, 28 & 33.2 | 120 | 128 |
| Applications | | (133) | (135) |
| Closing balance | | 454 | 467 |

At 31 December 2020 and 2019, virtually all value adjustments related to trade receivables for sales of electricity.

During 2020, a lower impairment charge of Euros 8 million was recognized for impairment losses on customer contracts, mainly as a result of lower electricity and gas sales to customers, especially in the Business to Business (B2B) segment, due to lower demand and prices during 2020, better payment behavior of public administrations and other factors, including intensified collection management in the Business to Business (B2B) segment, with a favorable impact on the charge in the amount of Euros 21 million, Euros 8 million and Euros 29 million, respectively, which were partially offset, in the opposite direction, by the impairment losses from contracts with customers in the Business to Customer (B2C) segment in the amount of Euros 50 million, as a result of the increase in bad debts due to the prohibition on supply cuts for a large part of 2020 due to the extraordinary measures related to the economic situation caused by COVID-19 (see Notes 2. 2.1, 3g.3, 4, 19.5, 28 and 38)

Other information.

At 31 December 2020 and 2019, there were no significant restrictions on the use of collection rights of this nature.

Factoring transactions were carried out in 2020 and 2019. Outstandings at 31 December 2020 and 2019 amounted to Euros 978 million and Euros 880 million respectively, which were derecognised from the Consolidated Statement of Financial Position. These transactions had costs of Euros 24 million and Euros 29 million respectively, recognised under Gains/(losses) on sale of assets in the Consolidated Income Statement (see Note 30).

13. Cash and cash equivalents.

Details of this heading in the Consolidated Statement of Financial Position at 31 December 2020 and 2019 are as follows:

| Millions of euros | | | |
|---------------------------|-----------|------------------|------------------|
| | Notes | 31 December 2020 | 31 December 2019 |
| Cash in hand and at banks | | 403 | 223 |
| Other Cash Equivalents | | - | - |
| TOTAL | 13 | 403 | 223 |

At 31 December 2020 and 31 December 2019, the breakdown of this item in the Consolidated Statement of Financial Position by currency is as follows:

| Millions of euros | | | |
|----------------------|-------|------------------|------------------|
| | Notes | Currency | |
| | | 31 December 2020 | 31 December 2019 |
| Euros | | 395 | 221 |
| US dollar (USD) | 19.2 | 6 | - |
| Pound sterling (GBP) | 19.2 | 2 | 2 |
| TOTAL | | 403 | 223 |

Short-term cash investments mature within 3 months from acquisition date and earn interest at market interest rates for this type of deposit.

There were no investments in sovereign debt at 31 December 2020 and 2019.

At 31 December 2020, the balance of cash and cash equivalents includes Euros 7 million corresponding to the debt service reserve account set up by certain ENDESA renewable energy subsidiaries by virtue of the project finance loans arranged (Euros 9 million at 31 December 2019) (see Note 17.2.3).

14. Equity.

Details of this heading in the Consolidated Statement of Financial Position at 31 December 2020 and 2019 are as follows:

| Millions of euros | | | |
|--|-------------|------------------|------------------|
| | Notes | 31 December 2020 | 31 December 2019 |
| Total equity of the Parent | 14.1 | 7,315 | 7,688 |
| Share capital | 14.1.1 | 1,271 | 1,271 |
| Issue premium | 14.1.2 | 89 | 89 |
| Legal reserve | 14.1.3 | 254 | 254 |
| Revaluation reserve | 14.1.4 | 404 | 404 |
| Other reserves | 14.1.5 | 106 | 106 |
| Valuation adjustments | | (74) | 59 |
| Translation differences | | 1 | 1 |
| Unrealised valuation adjustments | 14.1.6 | (75) | 58 |
| Reserve for actuarial gains and losses | 14.1.7 | (487) | (821) |
| (Treasury shares) | 14.1.8 | (2) | - |
| Retained earnings | 14.1.9 | 6,495 | 7,067 |
| Interim dividend | 14.1.10 | (741) | (741) |
| Total equity of non-controlling interests | 14.2 | 150 | 149 |
| TOTAL EQUITY | | 7,465 | 7,837 |

14.1. Equity: Of the Parent

14.1.1. Share capital.

At 31 December 2020, ENDESA, S.A. had share capital of Euros 1,270,502,540.40, represented by 1,058,752,117 shares each with a par value of Euros 1.20, fully subscribed and paid up and all admitted to listing on the Spanish Stock Exchanges. This figure was unchanged in 2020 and 2019.

At 31 December 2020 and 2019, the ENEL Group held 70,1% of the share capital in ENDESA, S.A., through ENEL Iberia, S.L.U.

At these dates, no other shareholder held more than 10% of the share capital of ENDESA, S.A.

14.1.2. Issue premium

The issue premium arises from the Company's corporate restructuring transactions. Article 303 of the Consolidated Text of the Corporate Enterprises Act expressly permits the use of the balance of the issue premium to increase capital and does not establish any specific restrictions as to its availability.

Nonetheless, at 31 December 2020, Euros 40 million of the issue premium were restricted to the extent that they were subject to tax deductions applied in prior years (Euros 43 million at 31 December 2019).

14.1.3. Legal reserve.

Pursuant to Article 274 of the Consolidated Text of the Spanish Corporate Enterprises Act, each year an amount equal to 10% of the profit for the year must be transferred to the legal reserve until the reserve represents at least 20% of the share capital.

The legal reserve may be used to increase share capital providing the balance left in the reserve is at least equal to 10% of the share capital after the increase. Except for the aforementioned purpose, the legal reserve may not be used to offset losses unless it exceeds 20% of the capital and no other sufficient reserves are available for such purpose.

At 31 December 2020 and 2019, ENDESA, S.A. held the minimum amount stipulated in law for this reserve.

14.1.4. Revaluation reserve

The revaluation reserve is a result of the revaluation of assets made pursuant to Royal Decree Law 7/1996 of 7 June 1996.

On 1 January 2000, the revalued assets were contributed to the corresponding companies following the corporate restructuring carried out by ENDESA.

The balance of this reserve can be used, tax-free, to offset the accounting loss for the year or accounting losses accumulated from prior years or that could arise in the future, and to increase share capital or unrestricted reserves, and in the latter case, monetary gain has been realised. The gain will be deemed to have been realised for the part corresponding to the accounting depreciation carried out or when the revalued items have been transferred or derecognised.

This balance would be taxed if used for any purpose other than that foreseen in Royal Decree Law 7/1996 of 7 June 1996.

At 31 December 2020, Euros 261 million were restricted to the extent that they were subject to tax benefits applied in prior years (Euros 269 million at 31 December 2019).

14.1.5. Other reserves.

At 31 December 2020 and 2019, this heading mainly consisted of the reserve for redeemed capital in the amount of Euros 102 million, in compliance with Article 335 of Spain's Corporate Enterprises Act, which requires companies to post to this reserve an amount equal to the par value of the redeemed shares or of the reduction in their par value, when the reduction is charged to unrestricted profits or reserves by redeeming shares acquired free of charge by the Company. The use of this reserve is subject to the same requirements as set forth for reducing share capital.

14.1.6. Reserve for unrealised revaluation adjustments

Movement in this reserve in 2020 and 2019 was as follows:

Millions of euros

| | 31 December 2019 | Change in Scope | Change in market value | Allocation to profit and loss | Other transactions with shareholders or owners | 31 December 2020 |
|---|------------------|-----------------|------------------------|-------------------------------|--|------------------|
| Cash flow hedges | 102 | - | (315) | 182 | - | (31) |
| Interest rate derivatives | (14) | - | (19) | 6 | - | (27) |
| Exchange rate derivatives | 51 | - | (131) | (32) | - | (112) |
| Commodities derivatives | 65 | - | (165) | 208 | - | 108 |
| Companies accounted for using the equity method | (44) | - | - | - | - | (44) |
| TOTAL | 58 | - | (315) | 182 | - | (75) |

Millions of euros

| | 31 December 2018 | Change in Scope | Change in market value | Allocation to profit and loss | Other transactions with shareholders or owners | 31 December 2019 |
|---|------------------|-----------------|------------------------|-------------------------------|--|------------------|
| Cash flow hedges | (26) | - | 100 | 28 | - | 102 |
| Interest rate derivatives | - | - | (18) | 4 | - | (14) |
| Exchange rate derivatives | 42 | - | 61 | (52) | - | 51 |
| Commodities derivatives | (68) | - | 57 | 76 | - | 65 |
| Companies accounted for using the equity method | (42) | - | (2) | - | - | (44) |
| TOTAL | (68) | - | 98 | 28 | - | 58 |

14.1.7. Reserve for actuarial gains and losses.

At 31 December 2020 and 2019, this reserve derives from actuarial gains and losses recognised in equity (see Note 16.1).

14.1.8. Treasury shares

On 28 September 2020 the Board of Directors of ENDESA, S.A. agreed to carry out a Temporary Share Buy-back Programme with the aim of covering the Strategic Incentive Plan 2020-2022, a long-term variable remuneration plan which includes the delivery of shares as part of the payment of the incentive (see Note 34.3.5).

The Buy-Back Programme, managed and implemented by Exane, SA (“Exane BNP Paribas”), is subject to the provisions of Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014.

After the execution of this programme, at 31 December 2020 ENDESA, S.A. held treasury shares in accordance with the following details:

| | No. of Shares | Nominal Value (Euros per Share) | Percentage of Share Capital (%) | Average Acquisition Price (Euros per Share) | Total Acquisition Cost (Euros) |
|-----------------|---------------|------------------------------------|------------------------------------|--|-----------------------------------|
| Treasury shares | 82,799 | 1.20 | 0.00782 | 23.27 | 1,926,534 |

Since their acquisition there have been no disposals or redemptions.

Basic and diluted earnings per share

At 31 December 2020 and 2019 the weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share for the years ended 31 December 2020 and 2019 (see Note 3q) is as follows:

| Millions of euros | 2020 | 2019 |
|---|-----------------------|----------------------|
| Number of Common Shares during the Year | 1,058,752,117 | 1,058,752,117 |
| Number of Shares of the Parent Company held by ENDESA, S.A. | 82,799 ⁽¹⁾ | - |
| Weighted Average Number of Common Shares Outstanding | 1,058,731,417 | 1,058,752,117 |

(1) Shares acquired in the period from September 30, 2020 to October 13, 2020 and held until the date of preparation of these Consolidated Financial Statements.

The basic and diluted earnings per share corresponding to the years 2020 and 2019 are as follows:

| Millions of euros | Basic and Diluted Earnings per Share | |
|---|--------------------------------------|----------------------|
| | 2020 | 2019 |
| Profit after tax from continuing operations | 1,394 | 171 |
| Profit after tax from discontinued operations | - | - |
| Net income | 1,394 | 171 |
| Weighted Average Number of Common Shares Outstanding | 1,058,731,417 | 1,058,752,117 |
| Basic Net Earnings per Share (in Euros) | 1.32 | 0.16 |
| Diluted Net Earnings per Share (in Euros) | 1.32 | 0.16 |
| Basic Net Earnings per Share from continuing operations (in Euros) | 1.32 | 0.16 |
| Diluted Net Earnings per Share from continuing operations (in Euros) | 1.32 | 0.16 |
| Basic Net Earnings per Share from Discontinued Operations (in Euros) | - | - |
| Diluted Net Earnings per Share from Discontinued Operations (in Euros) | - | - |

14.1.9. Retained earnings

Details of the Company’s reserves at 31 December 2020 and 2019 are as follows:

| Millions of euros | 31 December 2020 | 31 December 2019 |
|-----------------------------|------------------|------------------|
| Voluntary reserves | 693 | 703 |
| Merger reserve | 667 | 667 |
| Other Unrestricted Reserves | 26 | 36 |
| Other retained earnings | 5,802 | 6,364 |
| TOTAL | 6,495 | 7,067 |

The merger reserve stems from the restructuring of the Company, and its balance at 31 December 2020 amounts to Euros 667 million, Euros 90 million of which are undistributable because they are subject to certain tax benefits (Euros 667 million and Euros 93 million respectively at 31 December 2019).

14.1.10. Dividends.

2020

At its meeting held on 25 November 2020, ENDESA S.A.'s Board of Directors agreed to pay its shareholders a gross interim dividend against 2020 profit of Euros 0.70 per share, which gave rise to a pay-out of Euros 741 million on 04 January 2021 (see Note 22). This interim dividend was deducted from the parent's equity at 31 December 2020.

Pursuant to Article 277 of Royal Decree Law 1/2010 of 2 July approving the Consolidated Text of Spain's Corporate Enterprises Act, the provisional liquidity statement of ENDESA, S.A., which shows the existence of sufficient liquidity for the distribution of said dividend is as follows:

| Millions of euros | | From 1 November 2020 to 31 October 2021 |
|--|--|---|
| Available at start of period | | 4,092 |
| Cash in hand and at banks, and cash equivalents | | 45 |
| Available loans from group companies | | 4,047 |
| Increases in cash | | 3,141 |
| From ordinary activities | | 790 |
| From financial transactions | | 2,351 |
| Decreases in cash | | (3,770) |
| From ordinary activities | | (853) |
| From financial transactions | | (2,917) |
| Available at end of period | | 3,463 |
| Proposed interim dividend on 2020 results | | 741 |

This amount does not exceed the earnings obtained by ENDESA, S.A. in 2020, less prior years' losses and the amount to be allocated to legal reserves and reserves specified in the bylaws, as well as the estimate of tax to be paid on these earnings.

2019

Approval was given at ENDESA, S.A.'s General Shareholders' Meeting of 5 May 2020 to pay shareholders a total dividend for 2019 in a gross amount of Euros 1.475 per share, representing a total of Euros 1,562 million. The breakdown of these dividends is as follows:

| Millions of euros | | | | | |
|--|-------|------------------|------------------------|--------------|-----------------|
| | Notes | Approval date | Euros per share, gross | Amount | Payment date |
| Interim dividend | 22 | 26 November 2019 | 0.700 | 741 | 02 January 2020 |
| Final dividend | | 05 May 2020 | 0.775 | 821 | 01 July 2020 |
| Total Dividend paid against 2019 Profit | 32.3 | | 1.475 | 1,562 | |

14.1.11. Gains and losses recognised in Other Comprehensive Income

The composition and movements of gains and losses recognised in the Statement of Comprehensive Income for the years ended 31 December 2020 and 2019 are as follows:

Millions of euros

| Notes | 31 December 2019 | | | Changes in 2020 | | | | | 31 December 2020 | | |
|--|------------------|---------------|------------------------------|--|---|------------|---|--|------------------|---------------|------------------------------|
| | Total | Of the Parent | Of Non-Controlling Interests | Income and expense recognised directly in equity | Amounts transferred to profit and loss and/or investments | Tax effect | Changes in consolidation scope and others | Other transactions with shareholders or owners | Total | Of the Parent | Of Non-Controlling Interests |
| Items that may be Reclassified to Profit or Loss: | 58 | 58 | - | (431) | 238 | 60 | - | - | (75) | (75) | - |
| Cash flow hedges | 102 | 102 | - | (431) | 238 | 60 | - | - | (31) | (31) | - |
| Translation differences | - | - | - | - | - | - | - | - | - | - | - |
| Companies accounted for using the equity method | (44) | (44) | - | - | - | - | - | - | (44) | (44) | - |
| Other income and expense recognised directly in equity | - | - | - | - | - | - | - | - | - | - | - |
| Items that cannot be reclassified to profit and loss: | (821) | (821) | - | (86) | - | 16 | 404 | - | (487) | (487) | - |
| From measurement of financial instruments | - | - | - | - | - | - | - | - | - | - | - |
| Financial assets at Fair Value | - | - | - | - | - | - | - | - | - | - | - |
| Other income/(expense) | - | - | - | - | - | - | - | - | - | - | - |
| From Actuarial Gains and Losses and other Adjustments | 16.1 (821) | (821) | - | (86) | - | 16 | 404 | - | (487) | (487) | - |
| TOTAL | (763) | (763) | - | (517) | 238 | 76 | 404 | - | (562) | (562) | - |

Millions of euros

| Notes | 31 December 2018 | | | Changes in 2019 | | | | | 31 December 2019 | | |
|--|------------------|---------------|------------------------------|--|---|-------------|------------------------------------|--|------------------|---------------|------------------------------|
| | Total | Of the Parent | Of Non-Controlling Interests | Income and expense recognised directly in equity | Amounts transferred to profit and loss and/or investments | Tax effect | Changes in the consolidation scope | Other transactions with shareholders or owners | Total | Of the Parent | Of Non-Controlling Interests |
| Items that may be Reclassified to Profit or Loss: | (68) | (68) | - | 133 | 36 | (43) | - | - | 58 | 58 | - |
| Cash flow hedges | (26) | (26) | - | 135 | 36 | (43) | - | - | 102 | 102 | - |
| Companies accounted for using the equity method | (42) | (42) | - | (2) | - | - | - | - | (44) | (44) | - |
| Other income and expense recognised directly in equity | - | - | - | - | - | - | - | - | - | - | - |
| Items that cannot be reclassified to profit and loss: | (686) | (686) | - | (169) | - | 34 | - | - | (821) | (821) | - |
| From measurement of financial instruments | - | - | - | - | - | - | - | - | - | - | - |
| Financial assets at Fair Value | - | - | - | - | - | - | - | - | - | - | - |
| Other income/(expense) | - | - | - | - | - | - | - | - | - | - | - |
| From Actuarial Gains and Losses and other Adjustments | 16.1 (686) | (686) | - | (169) | - | 34 | - | - | (821) | (821) | - |
| TOTAL | (754) | (754) | - | (36) | 36 | (9) | - | - | (763) | (763) | - |

14.1.12. Capital management

ENDESA's capital management focuses on maintaining a solid financial structure that optimises the cost of capital and the availability of financial resources to guarantee business continuity over the long term. ENDESA considers its consolidated leverage ratio to be an indicator of its ongoing financial position.

The Parent Company's Directors consider that an indicator of its ongoing financial position is its consolidated leverage ratio. Details of this ratio at 31 December 2020 and 2019 are as follows:

Millions of euros

| | Notes | Leverage (%) | |
|--|-----------|------------------|------------------|
| | | 31 December 2020 | 31 December 2019 |
| Net Financial Debt: | | 6,899 | 6,377 |
| Non-current Financial Debt | 17.1 | 5,937 | 5,652 |
| Current Financial Debt | 17.1 | 1,372 | 955 |
| Cash and Cash Equivalents | 13 | (403) | (223) |
| Financial Derivatives Recognised in Financial Assets | 18.3 | (7) | (7) |
| Equity: | 14 | 7,465 | 7,837 |
| Of the Parent | 14.1 | 7,315 | 7,688 |
| Of Non-Controlling Interests | 14.2 | 150 | 149 |
| Leverage (%) ⁽¹⁾ | | 92.42 | 81.37 |

(1) Leverage (%) = Net financial debt / equity.

ENDESA uses principles of prudence that are similar to those applied until now in its level of indebtedness and financing structure by obtaining long-term financing that enables it to adjust its maturity schedule to its capacity to generate cash flow envisaged in the business plan. It also has short-term financing that helps optimise the management of its working capital requirements and improve the cost of its debt. The Company has a solid financial situation and unconditional credit lines contracted with first level entities available for significant amounts. This, together with the implementation of specific plans for the improvement and efficient management of liquidity, is expected to enable the Company to face the impact caused by the difficult economic situation (see Note 19.4).

However, in order to strengthen its liquidity position and ensure the continuity of its business activity, ENDESA has entered into the financing transactions described in Note 17.2.2.

The stabilisation of electricity regulations, as well as a profitability-focused Strategic Plan, have allowed the Company to propose a dividend policy designed so that its shareholders earn the maximum possible return on their investment without compromising sustainability and the potential for long-term growth.

The Company's Directors consider that its leverage will enable it to optimise the cost of capital while maintaining a high solvency ratio. Therefore, in due consideration of expectations of earnings and the investment plan, the future dividend policy will maintain a leverage ratio that will allow the aforementioned capital management target to be achieved.

The following dividends were approved and distributed in 2020 and 2019 without negatively affecting the ratio of Net Financial Debt to Equity (see Note 14.1.10):

Millions of euros

| | Notes | Dividends Approved and Paid | | | |
|--|-------------|-----------------------------|------------------------|--------------|-----------------|
| | | Approval date | Euros per share, gross | Amount | Payment date |
| Interim dividend | 22 | 26 November 2019 | 0.700 | 741 | 02 January 2020 |
| Final dividend | | 05 May 2020 | 0.775 | 821 | 01 July 2020 |
| Total Dividend paid against 2019 Profit | 32.3 | | 1.475 | 1,562 | |
| Interim dividend | | 20 November 2018 | 0.700 | 741 | 02 January 2019 |
| Final dividend | | 12 April 2019 | 0.727 | 770 | 02 July 2019 |
| Total dividend paid against 2018 profit | 32.3 | | 1.427 | 1,511 | |

ENDESA's long-term ratings assigned by credit rating agencies at the respective dates of issue of the Consolidated Financial Statements for the years ended 31 December 2020 and 2019, reflecting investment grade levels, are as follows:

| | Credit Rating | | | | | | |
|-------------------|---------------|---------------------------------|---------|---------------------|---------------------------------|------------|----------|
| | Long-term | 31 December 2020 ⁽¹⁾ | | | 31 December 2019 ⁽¹⁾ | | |
| | | Short-term | Outlook | Date of Last Report | Long-term | Short-term | Outlook |
| Standard & Poor's | BBB+ | A-2 | Stable | 26 November 2020 | BBB+ | A-2 | Stable |
| Moody's | Baa1 | P-2 | Stable | 14 January 2021 | Baa2 | P-2 | Positive |
| Fitch | A- | F2 | Stable | 14 February 2021 | A- | F2 | Stable |

(1) At the respective dates of issue of the Consolidated Financial Statements.

The Parent's Directors consider that the ratings assigned by the agencies would enable the Parent to tap the financial markets on reasonable terms if need be.

14.1.13. Restrictions on the availability of funds and pledges of shares of subsidiaries.

At 31 December 2020, certain ENDESA subsidiaries that operate in the renewable energy business, and which are financed through project finance, contain clauses in their financing agreements that must be complied with before profits can be distributed to shareholders.

At 31 December 2020, financial debt subject to these restrictions totalled Euros 79 million (Euros 91 million at 31 December 2019) (see Notes 6.4, 17.2.3 and 35.1).

14.2. Equity: Of non-controlling interests.

At 31 December 2020 and 2019, the composition and movements of this item of the Consolidated Statement of Financial Position are as follows:

Millions of euros

| | Balance at 31 December 2019 | Dividends paid | Profit/(loss) for the year | Investments or Increases | Disposals or Reductions | Other movements | Balance at 31 December 2020 |
|---|-----------------------------|----------------|----------------------------|--------------------------|-------------------------|-----------------|-----------------------------|
| Aguilón 20, S.A. | 22 | (2) | 1 | - | - | 1 | 22 |
| Empresa de Alumbrado Eléctrico de Ceuta, S.A. | 2 | - | - | - | - | - | 2 |
| Eólica Valle del Ebro, S.A. | 4 | - | - | - | - | - | 4 |
| Explotaciones Eólicas Saso Plano, S.A. | 11 | (1) | - | - | - | - | 10 |
| Parque Eólico Sierra del Madero, S.A. | 19 | - | 1 | - | - | - | 20 |
| Sociedad Eólica de Andalucía, S.A. | 26 | (2) | 2 | - | - | - | 26 |
| Others | 65 | (3) | 2 | 3 | - | (1) | 66 |
| TOTAL | 149 | (8) | 6 | 3 | - | - | 150 |

Millions of euros

| | Balance at 31 December 2018 | Dividends paid | Profit/(loss) for the year | Investments or Increases ⁽¹⁾ | Disposals or Reductions | Other movements | Balance at 31 December 2019 |
|---|-----------------------------|----------------|----------------------------|---|-------------------------|-----------------|-----------------------------|
| Aguilón 20, S.A. | 23 | (2) | 1 | - | - | - | 22 |
| Empresa de Alumbrado Eléctrico de Ceuta, S.A. | 2 | - | - | - | - | - | 2 |
| Eólica Valle del Ebro, S.A. | 4 | (1) | 1 | - | - | - | 4 |
| Explotaciones Eólicas Saso Plano, S.A. | 10 | - | 1 | - | - | - | 11 |
| Parque Eólico Sierra del Madero, S.A. | 19 | (1) | 1 | - | - | - | 19 |
| Sociedad Eólica de Andalucía, S.A. | 26 | (2) | 2 | - | - | - | 26 |
| Others | 60 | (8) | 3 | 10 | - | - | 65 |
| TOTAL | 144 | (14) | 9 | 10 | - | - | 149 |

(1) Corresponds to the contributions of funds from shareholders of Bosa del Ebro, S.L. (Euros 10 million) (see Note 32.3).

At 31 December 2020 and 2019, the balance of Equity of non-controlling interests mainly consisted of the non-controlling interests of the investments held by ENEL Green Power España, S.L.U. (EGPE) for the amount of Euros 142 million.

On 18 February 2020 ENDESA Red, S.A.U. purchased minority stakes in Empresa de Alumbrado Eléctrico de Ceuta, S.A., Empresa de Alumbrado Eléctrico de Ceuta Distribución, S.A.U. and Energía Ceuta XXI Comercializadora de Referencia, S.A.U. (0.08%), which meant a reduction in minority interests of less than Euros 1 million (see Note 2.3.1).

On 25 March 2019, ENEL Green Power España, S.L.U. (EGPE) completed the purchase of the minority interest in ENEL Green Power Granadilla, S.L.U. (35.00%) which meant a reduction of minority interests of less than Euros 1 million (see Note 2.3.1).

At 31 December 2020 and 2019, the most significant items of the Consolidated Statement of Financial Position, Income Statement and Statement of Cash Flow of the main ENDESA companies with stakes in non-controlling interests used in the preparation of these Consolidated Financial Statements are as follows:

Millions of euros

| | Statement of Financial Position | | | | | | | | | | | |
|-------------------------------------|---------------------------------|-------------------|---|-------------------|-----------------------------|-------------------|--|-------------------|---------------------------------------|-------------------|------------------------------------|-------------------|
| | Aguilón 20, S.A. | | Empresa de Alumbrado Eléctrico de Ceuta, S.A. | | Eólica Valle del Ebro, S.A. | | Explotaciones Eólicas Saso Plano, S.A. | | Parque Eólico Sierra del Madero, S.A. | | Sociedad Eólica de Andalucía, S.A. | |
| | 31 Decemb er 2020 | 31 Decemb er 2019 | 31 Decemb er 2020 | 31 Decemb er 2019 | 31 Decemb er 2020 | 31 Decemb er 2019 | 31 Decemb er 2020 | 31 Decemb er 2019 | 31 Decemb er 2020 | 31 Decemb er 2019 | 31 Decemb er 2020 | 31 Decemb er 2019 |
| Non-current assets | 91 | 95 | 98 | 79 | 9 | 11 | 34 | 34 | 76 | 69 | 126 | 132 |
| Current assets | 14 | 17 | 6 | 20 | 1 | 2 | 5 | 6 | 4 | 14 | 14 | 19 |
| Total Assets | 105 | 112 | 104 | 99 | 10 | 13 | 39 | 40 | 80 | 83 | 140 | 151 |
| Equity | 46 | 48 | 78 | 71 | 7 | 7 | 26 | 28 | 46 | 44 | 64 | 64 |
| Non-Current | 53 | 58 | 19 | 21 | 3 | 3 | 8 | 8 | 12 | 13 | 65 | 75 |
| Current liabilities | 6 | 6 | 7 | 7 | - | 3 | 5 | 4 | 22 | 26 | 11 | 12 |
| Total equity and liabilities | 105 | 112 | 104 | 99 | 10 | 13 | 39 | 40 | 80 | 83 | 140 | 151 |

Millions of euros

| | Income Statement | | | | | | | | | | | |
|--|------------------|----------|---|------------|-----------------------------|----------|--|----------|---------------------------------------|----------|------------------------------------|----------|
| | Aguilón 20, S.A. | | Empresa de Alumbrado Eléctrico de Ceuta, S.A. | | Eólica Valle del Ebro, S.A. | | Explotaciones Eólicas Saso Plano, S.A. | | Parque Eólico Sierra del Madero, S.A. | | Sociedad Eólica de Andalucía, S.A. | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Income | 11 | 13 | 41 | 38 | 2 | 3 | 5 | 6 | 10 | 12 | 19 | 20 |
| Profit(loss) before tax | 2 | 4 | 11 | 7 | - | 1 | 2 | 2 | 2 | 3 | 7 | 8 |
| Profit(loss) from continuing operations | 2 | 3 | 9 | 6 | - | 1 | 1 | 2 | 2 | 2 | 5 | 6 |
| Profit(loss) after tax from discontinued operations | - | - | - | - | - | - | - | - | - | - | - | - |
| Other comprehensive income | - | - | - | (1) | - | - | - | - | - | - | - | 1 |
| Total comprehensive income | 2 | 3 | 9 | 5 | - | 1 | 1 | 2 | 2 | 2 | 5 | 7 |

Millions of euros

| | Statement of cash flows | | | | | | | | | | | |
|--|-------------------------|------|---|------|-----------------------------|------|--|------|---------------------------------------|------|------------------------------------|------|
| | Aguilón 20, S.A. | | Empresa de Alumbrado Eléctrico de Ceuta, S.A. | | Eólica Valle del Ebro, S.A. | | Explotaciones Eólicas Saso Plano, S.A. | | Parque Eólico Sierra del Madero, S.A. | | Sociedad Eólica de Andalucía, S.A. | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Net cash flows from operating activities | 7 | 2 | 13 | 11 | 1 | 2 | 5 | 2 | 9 | 5 | 11 | 8 |
| Net cash flows from/(used in) investing activities | (1) | - | (22) | - | 1 | (1) | (2) | - | (13) | - | (4) | - |
| Net cash flows from/(used in) financing activities | (4) | (3) | (3) | (2) | (2) | (1) | (2) | (3) | (4) | (11) | (6) | (12) |

The patrimonial data correspond to the information of the individual companies, with the exception of those relating to Empresa de Alumbrado Eléctrico de Ceuta, S.A. that correspond to its Consolidated Financial Statements.

15. Deferred income

At 31 December 2020 and 2019, the composition and movements of this item of the Consolidated Statement of Financial Position are as follows:

| Millions of euros | | | | | |
|------------------------------------|-------|---------------------------|--|--|--------------|
| | Notes | Grants related to assets. | Facilities transferred from customers and Rights for Extension Works | Non-current Liability Contracts with Customers | Total |
| Balance at 31 December 2018 | | 287 | 4,274 | 26 | 4,587 |
| Additions | | 5 | 128 | 50 | 183 |
| Changes in consolidation scope | | - | - | - | - |
| Allocation to profit and loss | 24.2 | (18) | (13) | - | (31) |
| Transfers to Short-Term and Others | | (1) | (159) | (3) | (163) |
| Balance at 31 December 2019 | | 273 | 4,230 | 73 | 4,576 |
| Additions | | 3 | 127 | 4 | 134 |
| Changes in consolidation scope | | - | - | - | - |
| Allocation to profit and loss | 24.2 | (16) | - | - | (16) |
| Transfers to Short-Term and Others | | 1 | (172) | (6) | (177) |
| Balance at 31 December 2020 | | 261 | 4,185 | 71 | 4,517 |

Capital grants, specifically grants received under the partnership agreements entered into to improve the quality of supply in the electricity distribution network with, inter alia, the Ministry for Ecological Transition and the Demographic Challenge and analogous bodies of the Autonomous Regional Governments.

16. Non-current provisions.

Details of this heading in the Consolidated Statement of Financial Position at 31 December 2020 and 2019 are as follows:

| Millions of euros | | | |
|---|--------|------------------|------------------|
| | Notes | 31 December 2020 | 31 December 2019 |
| Provisions for Pensions and Similar Provisions ⁽¹⁾ | 16.1 | 701 | 1,148 |
| Provisions for workforce restructuring plans | | 1,011 | 496 |
| Workforce restructuring plans | 16.2.1 | 40 | 60 |
| Contracts suspensions | 16.2.2 | 971 | 436 |
| Other non-current provisions | 16.3 | 1,992 | 2,042 |
| TOTAL | | 3,704 | 3,686 |

(1) Includes post-employment benefits other than pension plans for Euros 374 million at 31 December 2020 and Euros 876 million at 31 December 2019.

16.1. Provisions for pensions and other similar provisions.

The obligations shown in the Consolidated Statement of Financial Position by way of provisions for pensions and other similar provisions arise as a result of individual or collective agreements in which the Company undertakes to provide a complementary scheme to that granted by the state to cover retirement, permanent disability and death.

These obligations, both defined benefit and defined contribution, are basically arranged through pension plans or insurance policies, except as regards certain benefits in kind, which due to their nature have not been outsourced and are covered by in-house provisions.

Gross and net actuarial liabilities

At 31 December 2020 and 2019, the balance included in the Consolidated Statement of Financial Position as a result of the difference between the actuarial liability relating to defined benefit obligations and the market value of plan assets is as follows:

| Millions of euros | | |
|--|------------------|------------------|
| | 31 December 2020 | 31 December 2019 |
| Actuarial liability | 1,283 | 1,762 |
| Plan assets | (582) | (614) |
| Shortfall recognised in respect of actuarial liability ⁽¹⁾ | 701 | 1,148 |

(1) Includes post-employment benefits other than pension plans for Euros 374 million at 31 December 2020 and Euros 876 million at 31 December 2019.

A breakdown of net and gross actuarial liabilities and the changes in the market value of assets relating to defined benefit obligations at 31 December 2020 and 2019 is as follows:

Millions of euros

| | Notes | 2020 | 2019 |
|--|-------|----------------------|--------------|
| Opening net actuarial liability | | 1,148 | 989 |
| Net interest expense | 29 | 7 | 16 |
| Service costs in the period | 26 | 11 | 12 |
| Benefits paid in the period | | - | - |
| Contributions during the year | | (42) | (46) |
| Other movements | | (509) ⁽¹⁾ | 8 |
| Actuarial (gains) losses arising from changes in demographic assumptions | | 50 ⁽²⁾ | - |
| Actuarial (gains) losses arising from changes in financial assumptions | | 78 | 178 |
| Actuarial (gains) losses arising from experience adjustments | | (43) | 22 |
| Actuarial return on plan assets excluding interest expense | | 1 | (31) |
| Closing Net Actuarial Liability ⁽³⁾ | | 701 | 1,148 |

(1) Includes Euros 515 million corresponding to the difference between the valuations of the previous and new actuarial liabilities at the effective date of the "V ENDESA Framework Collective Agreement", taking account of the new commitments assumed in relation, mainly, to electricity supply.

(2) Corresponding to the effect of the modification of the mortality tables in accordance with the Resolution of 17 December 2020, of the Directorate General of Insurance and Pension Funds.

(3) Includes post-employment benefits other than pension plans for Euros 374 million at 31 December 2020 and Euros 876 million at 31 December 2019.

Millions of euros

| | 2020 | 2019 |
|--|----------------------|--------------|
| Opening actuarial liability | 1,762 | 1,593 |
| Financial expense | 13 | 27 |
| Service costs in the period | 11 | 12 |
| Benefits paid in the period | (79) | (78) |
| Other movements | (509) ⁽¹⁾ | 8 |
| Actuarial (gains) losses arising from changes in demographic assumptions | 50 ⁽²⁾ | - |
| Actuarial (gains) losses arising from changes in financial assumptions | 78 | 178 |
| Actuarial (gains) losses arising from experience adjustments | (43) | 22 |
| Closing actuarial liability ⁽²⁾ | 1,283 | 1,762 |

(1) Includes Euros 515 million corresponding to the difference between the valuations of the previous and new actuarial liabilities at the effective date of the "V ENDESA Framework Collective Agreement", taking account of the new commitments assumed in relation, mainly, to electricity supply.

(2) Corresponding to the effect of the modification of the mortality tables in accordance with the Resolution of 17 December 2020, of the Directorate General of Insurance and Pension Funds.

(3) Includes post-employment benefits other than pension plans for Euros 374 million at 31 December 2020 and Euros 876 million at 31 December 2019.

Millions of euros

| | 2020 | 2019 |
|---|------------|------------|
| Initial market value of the plan assets | 614 | 604 |
| Expected return | 6 | 11 |
| Contributions during the year | 42 | 46 |
| Benefits paid in the period | (79) | (78) |
| Actuarial (losses) gains | (1) | 31 |
| Final market value of the plan assets ⁽¹⁾ | 582 | 614 |

(1) Post-employment benefits other than pension plans are not included.

After more than two years of fruitless negotiations, on 4 December 2019, the majority trade union in ENDESA, General Workers Union (UGT), and ENDESA agreed to submit to a "binding equity arbitration" some of the most significant aspects discussed in the negotiation of the "V ENDESA Framework Collective Agreement".

ENDESA and the majority union, the General Workers Union (UGT), agreed before the Interconfederal Mediation and Arbitration Service ("SIMA") the procedure and matters subject to arbitration, and that the terms of the decision of the arbitrator would be incorporated into the Collective Agreement that was agreed upon. Following the appointment by common accord of Mr. Manuel Pimentel Siles as sole arbitrator, the procedure was carried out during the months of December 2019 and January 2020 in the terms agreed by the parties, ending with the issue of a mandatory Arbitration Award on 21 January 2020.

In accordance with the agreement between the parties, the content of the Arbitration Award and other aspects resulting from the agreement at the negotiating table were incorporated into the "V ENDESA Framework Collective Agreement" which was approved and signed by the Company and the Trade Union Section of the General Workers' Union (UGT), and has general effect since 23 January 2020, being published in the Official State Gazette on 17 June 2020. Also, on that date, the new "Framework Agreement on Guarantees" and "Agreement on Voluntary Measures for the Suspension or Termination of Employment Contracts" were signed, in this case by all the unions represented in ENDESA.

The “V ENDESA Framework Collective Agreement” establishes changes to certain social benefits, basically the one corresponding to the electricity rate for employees, also including retired personnel, which led to the following accounting entries:

- Valuation of the previous actuarial liability for the uninsured defined benefit commitments at the effective date of the “V ENDESA Framework Collective Agreement”, which had a positive impact of Euros 10 million on the Consolidated Statement of Other Comprehensive Income for 2020.
- Valuation of the new actuarial liability at the effective date of the “V ENDESA Framework Collective Agreement”, taking account of the new commitments assumed, mainly in relation to electricity supply, which had a positive impact of Euros 515 million on the Consolidated Income Statement for 2020 (Euros 386 million net of the tax effect).

Additionally, at 31 December 2020, ENDESA revalued the actuarial liability for defined benefit commitments, with a net negative impact of Euros 70 million on the Consolidated Statement of Other Comprehensive Income for 2020.

Plan assets.

The main categories of defined benefit plan assets as a percentage of total assets, at 31 December 2020 and 2019, were as follows:

| Percentage (%) | 31 December 2020 | 31 December 2019 |
|------------------------------------|------------------|------------------|
| Fixed income assets ⁽¹⁾ | 49 | 51 |
| Equities ⁽¹⁾ | 33 | 35 |
| Investment property and other | 18 | 14 |
| TOTAL | 100 | 100 |

(1) Includes ENEL Group companies' shares and bonds in the amount of Euros 20 million at 31 December 2020 (Euros 22 million at 31 December 2019).

The breakdown of the fair value of fixed income securities by geographical region at 31 December 2020 and 2019 is as follows:

| Millions of euros | 31 December 2020 | 31 December 2019 |
|-------------------|------------------|------------------|
| Country | | |
| Spain | 66 | 81 |
| United States | 56 | 27 |
| Luxembourg | 40 | 34 |
| Italy | 20 | 39 |
| Germany | 14 | 22 |
| France | 14 | 19 |
| United Kingdom | 10 | 16 |
| Netherlands | 3 | 7 |
| Belgium | 2 | 2 |
| Other | 60 | 66 |
| TOTAL | 285 | 313 |

At 31 December 2020 and 2019, the value of defined benefit plan assets placed in sovereign debt instruments was as follows:

| Millions of euros | 31 December 2020 | 31 December 2019 |
|-------------------|------------------|------------------|
| Country | | |
| Spain | 37 | 52 |
| Italy | 13 | 26 |
| France | 2 | 4 |
| Belgium | 2 | - |
| Germany | 1 | 3 |
| Other | 28 | 23 |
| TOTAL | 83 | 108 |

Shares and fixed income instruments have quoted prices in active markets. The expected return on plan assets was estimated taking into account forecasts for the main fixed income and equity markets and assuming that the various asset classes would have similar weights to those of the preceding year. The real average rate of return in 2020 was 1.06%, positive (9.33% positive in 2019).

Currently, the investment strategy and risk management are the same for all plan participants, with no correlation strategy between assets and liabilities.

Actuarial assumptions.

The assumptions used when calculating the actuarial liability in respect of uninsured defined benefit obligations at 31 December 2020 and 2019 were as follows:

| | 31 December 2020 | 31 December 2019 |
|-------------------------------------|------------------|------------------|
| Interest Rate | 0.56% - 0.61% | 1.07% - 1.14% |
| Mortality Tables ⁽¹⁾ | PERM / FCOL2020 | PERM / F2000 |
| Expected return on plan assets | 0.57% | 1.09% |
| Salary increase ⁽²⁾ | 1.00% | 2.00% |
| Increase in the cost of health care | 3.20% | 3.20% |

(1) Modification in accordance with the Resolution of 17 December 2020 of the General Directorate of Insurance and Pension Funds.

(2) Benchmark percentage for estimating salary increases.

As of 31 December 2020, the COVID-19 health crisis has not led to any significant change in the previous actuarial assumptions (see Notes 2.2.1 and 38).

The interest rate applied to discount the commitments is obtained from a curve constructed using the yields on corporate bond issues by companies with a "AA" credit rating and based on the estimated term over which the obligations deriving from each commitment will be settled.

Other information.

ENDESA's pension plans are administered in accordance with the general restrictions on management and risk assumption in the respective laws and regulations in force and applicable in Spain.

At present, the pension fund which manages the pension schemes promoted by ENDESA companies assumes the risks that are inherent in the assets in which it is invested, which are mainly:

- Risks of investment in fixed income assets arising from interest rate variations and the credit risk of the portfolio shares.
- Risks of investment in equities arising from the potential impact of volatility (changes) in the prices of the related assets, which is greater than that of fixed income.
- Risks of investment in derivative financial instruments arising in accordance with the degree of related leverage, making them especially vulnerable to changes in the prices of the underlying assets (benchmark asset).
- Investment in assets denominated in currencies other than the euro, which are subject to additional risk relating to changes in exchange rates.
- Investments in non-tradable assets, made in less efficient markets with scant liquidity, pose measurement risks arising from the approaches used and the lack of market prices for comparison.

At 31 December 2020 the weighted average duration, calculated based on probable flows of the obligation, was 16.7 years (16.5 years at 31 December 2019), and the calendar for payments of defined benefit obligations is as follows:

Millions of euros

| | 31 December 2020 | 31 December 2019 |
|----------------|------------------|------------------|
| Year 1 | 37 | 50 |
| Year 2 | 41 | 54 |
| Year 3 | 43 | 58 |
| Year 4 | 45 | 60 |
| Year 5 | 47 | 63 |
| From Year 5 on | 1,173 | 1,827 |
| TOTAL | 1,386 | 2,112 |

The classification of defined benefit plan assets measured at fair value by fair value hierarchy at 31 December 2020 and 2019 is as follows:

| Millions of euros | 31 December 2020 | | | | 31 December 2019 | | | |
|-----------------------------|------------------|---------|---------|---------|------------------|---------|---------|---------|
| | Fair value | Level 1 | Level 2 | Level 3 | Fair value | Level 1 | Level 2 | Level 3 |
| Defined benefit plan assets | 582 | 495 | 52 | 35 | 614 | 522 | 51 | 41 |

The valuation of assets classified as Level 3 is determined based on valuation reports prepared by the corresponding management company.

Amounts recognised in the consolidated income statement and consolidated statement of other comprehensive income.

In 2020 and 2019, amounts recognised for defined benefit and defined contribution pension obligations in the Consolidated Income Statement, are as follows:

| Millions of euros | Notes | 2020 | 2019 |
|--|-------|--------------------|-------------|
| Plan assets | | 497 | (28) |
| Current cost for the year ⁽¹⁾ | 26 | (11) | (12) |
| Net finance costs | 29 | (7) | (16) |
| Other current costs during the year | 26 | 515 ⁽²⁾ | - |
| Defined contribution | | (55) | (48) |
| Current cost for the year ⁽³⁾ | 26 | (55) | (48) |
| TOTAL | | 442 | (76) |

(1) In 2020 it includes Euros 5 million of current cost relating to employees opting to take early retirement, which had been recognised previously under "Provisions for workforce restructuring" and was transferred during the year to "Provisions for pensions and other similar provisions" (Euros 6 million in 2019).

(2) Corresponding to the difference between the valuations of the previous and new actuarial liabilities at the effective date of the "V ENDESA Framework Collective Agreement", taking account of the new commitments assumed in relation, mainly, to electricity supply.

(3) In 2020 Euros 30 million were also contributed, which had been previously included under "Provisions for workforce restructuring plans" (Same amount similarly contributed in 2019).

In 2020 and 2019, amounts recognised for defined benefit pension obligations under Other Comprehensive Income were as follows:

| Millions of euros | Notes | 2020 | 2019 |
|--|---------|-------------|--------------|
| Actuarial return on plan assets excluding interest expense | | (1) | 31 |
| Actuarial gains and losses | | (85) | (200) |
| TOTAL | 14.1.11 | (86) | (169) |

At 31 December 2020, according to the best available estimate, the contributions planned to meet the defined benefit plans in the year 2021 will amount to approximately Euros 11 million (Euros 17 million at 31 December 2019, to meet the defined benefit plans in 2020).

Sensitivity analysis.

At 31 December 2020 and 2019, the sensitivity of the value of the actuarial liability for pensions to fluctuations in the main actuarial assumptions, with the other variables remaining constant, is as follows:

| Millions of euros | 31 December 2020 | 31 December 2019 |
|---|------------------|------------------|
| Assumption | | |
| 50 bps decrease in the interest rate | 107 | 153 |
| 50 bps increase in the interest rate | (95) | (135) |
| 50 bps decrease in the Consumer Price Index (CPI) ⁽¹⁾ | (11) | (82) |
| 50 bps increase in the Consumer Price Index (CPI) ⁽¹⁾ | 12 | 91 |
| 1% increase in healthcare costs | 1 | 2 |
| 1 year increase in the life expectancy of working and retired employees | 22 | 62 |

(1) Benchmark percentage for estimating salary increases.

16.2. Provisions for workforce restructuring plans.

The obligations shown in the Consolidated Statement of Financial Position by way of provisions for workforce restructuring plans are the result of individual or collective agreements whereby the Company undertakes to provide a complementary scheme to that granted by the state to cover termination or suspension of employment by agreement between the parties.

16.2.1. Workforce reduction plans.

At 31 December 2020 and 2019, there were basically three types of plans in force (2000 Voluntary Departure Plan, 2006-2012 Mining Plans and 2016 Mining Plan) that affect a total of 688 people and 834 people, respectively, all of them in early retirement.

Movements in this non-current provision in 2020 and 2019 were as follows:

| Millions of euros | | | |
|---|-------|-------------|-------------|
| | Notes | 2020 | 2019 |
| Opening balance | | 60 | 78 |
| Amounts charged to profit and loss | | (13) | 6 |
| Personnel Expenses ⁽¹⁾ | 26 | (14) | 1 |
| Net financial profit/(loss) | 29 | 1 | 5 |
| Transfers to Short-Term and Others | | (7) | (24) |
| Closing balance | | 40 | 60 |

At 31 December 2020, the Current provisions heading of the Consolidated Statement of Financial Position included Euros 35 million of provisions for workforce reductions plans (Euros 57 million at 31 December 2019) (see Note 23).

Actuarial assumptions.

The assumptions used in the actuarial calculation of the obligations arising under these workforce reduction plans at 31 December 2020 and 2019 are as follows:

| | 31 December 2020 | 31 December 2019 |
|---------------------------------|------------------|------------------|
| Interest Rate | 0.00% | 0.27% |
| CPI | 1.00% | 2.00% |
| Mortality Tables ⁽¹⁾ | PERM / FCOL2020 | PERM/F 2000 |

(1) Modification in accordance with the Resolution of December 17, 2020, of the Directorate General of Insurance and Pension Funds.

At 31 December 2020, the COVID-19 health crisis had not involved any significant modification to the previous actuarial assumptions (see Notes 2.2.1 and 38).

Sensitivity analysis.

At 31 December 2020 and 2019, the sensitivity of the value of the actuarial liability for restructuring plans to fluctuations in the main actuarial assumptions, with the other variables remaining constant, is as follows:

| Assumption | 31 December 2020 | | 31 December 2019 | |
|---|------------------|-----------------|------------------|-----------------|
| | 50 bps increase | 50 bps decrease | 50 bps increase | 50 bps decrease |
| Interest Rate | (2) | 2 | (3) | 3 |
| Consumer Price Index (CPI) ⁽¹⁾ | 1 | (1) | 1 | (1) |

(1) Benchmark percentage for estimating salary increases.

16.2.2. Agreement on voluntary suspension or termination of employment contracts

At 31 December 2020, in application of the "Agreement on Voluntary Measures for Suspension or Termination of Employment Contracts of the Framework Guarantee Agreement for ENDESA, S.A. and its electricity subsidiaries", ENDESA has recognised a provision amounting to Euros 971 million, which covers the entire cost to be borne by ENDESA during the period for which, in accordance with the commitments acquired at that

date, ENDESA cannot prevent the employment contract from being suspended (Euros 436 million at 31 December 2019). This provision affects a maximum of 3,563 employees for whom ENDESA has undertaken not to exercise the power to request a return to the company (1,413 employees at 31 December 2019).

Movements in this non-current provision in 2020 and 2019 were as follows:

Millions of euros

| | Notes | 2020 | 2019 |
|---|-------|--------------------|--------------|
| Opening balance | | 436 | 536 |
| Amounts charged to profit and loss | | 753 | 13 |
| Personnel Expenses | 26 | 741 ⁽¹⁾ | (2) |
| Net financial profit/(loss) | 29 | 12 | 15 |
| Transfers to Short-Term and Others | | (218) | (113) |
| Closing balance | | 971 | 436 |

(1) Includes provisions for workforce restructuring plans related to the Decarbonization Plan, the Digitalization of Processes and the "V ENDESA Framework Collective Agreement" amounting to Euros 213 million, Euros 387 million and Euros 159 million, respectively, within the framework of the "Agreement on Voluntary Measures for the Suspension or Termination of Employment Contracts". It also includes the effect of changes in demographic assumptions amounting to Euros 8 million.

At 31 December 2020, the Current provisions heading of the Consolidated Statement of Financial Position included Euros 181 million of provisions for workforce reductions plans (Euros 124 million at 31 December 2019) (see Note 23).

Actuarial assumptions.

The assumptions used in the actuarial calculation of the obligations arising from the contracts suspension agreement at 31 December 2020 and 2019 are as follows:

| | 31 December 2020 | 31 December 2019 |
|---------------------------------|------------------|------------------|
| Interest Rate | 0.00% | 0.27% |
| Future increase in guarantee | 1.00% | 2.00% |
| Increase in other items | 1.00% | 2.00% |
| Mortality Tables ⁽¹⁾ | PERM / FCOL2020 | PERM / F2000 |

(1) Modification in accordance with the Resolution of December 17, 2020, of the Directorate General of Insurance and Pension Funds.

At 31 December 2020, the COVID-19 health crisis had not involved any significant modification to the previous actuarial assumptions (see Notes 2.2.1 and 38).

Sensitivity analysis.

At 31 December 2020 and 2019, the sensitivity of the value of the actuarial liability for contracts suspensions to fluctuations in the main actuarial assumptions, with the other variables remaining constant, is as follows:

Millions of euros

| Assumption | 31 December 2020 | | 31 December 2019 | |
|-------------------------------|------------------|-----------------|------------------|-----------------|
| | 50 bps increase | 50 bps decrease | 50 bps increase | 50 bps decrease |
| Interest Rate | (27) | 29 | (12) | 7 |
| Guarantee and remaining items | 10 | (10) | 10 | (10) |

16.3. Other provisions.

Details of this heading in the Consolidated Statement of Financial Position at 31 December 2020 and 2019 are as follows:

Millions of euros

| | Notes | Provisions for litigation, termination benefits and other legal or contractual obligations | Provisions for decommissioning costs | Total |
|---|-------|--|--------------------------------------|--------------|
| Balance at 31 December 2019 | | 510 | 1,532 | 2,042 |
| Operating expenses | | 9 | (47) | (38) |
| Charges | | 107 | 3 | 110 |
| Reversals | | (98) | (50) | (148) |
| Net financial profit/(loss) | 29 | 6 | 1 | 7 |
| Net provisions charged to property, plant and equipment | 6 | - | 38 | 38 |
| Payments | | (13) | (16) | (29) |
| Transfers and other | | (28) | - | (28) |
| Balance at 31 December 2020 | | 484 | 1,508 | 1,992 |

Millions of euros

| | Notes | Provisions for litigation, termination benefits and other legal or contractual obligations | Provisions for decommissioning costs | Total |
|---|-------|--|--------------------------------------|--------------|
| Balance at 31 December 2018 | | 611 | 1,111 | 1,722 |
| Operating expenses | | 66 | (13) | 53 |
| Charges | | 106 | 10 | 116 |
| Reversals | | (40) | (23) | (63) |
| Net financial profit/(loss) | 29 | 6 | 7 | 13 |
| Net provisions charged to property, plant and equipment | 6 | - | 445 | 445 |
| Payments | | (70) | (14) | (84) |
| Transfers and other | | (103) | (4) | (107) |
| Changes in consolidation scope | | - | - | - |
| Balance at 31 December 2019 | | 510 | 1,532 | 2,042 |

At 31 December 2020 and 2019, the detail of provisions for decommissioning costs by type of plant is as follows:

Millions of euros

| | Notes | 31 December 2020 | 31 December 2019 |
|--------------------------|-----------------|------------------|------------------|
| Nuclear power plants | | 597 | 640 |
| Other plants | | 819 | 790 |
| Dismantling of meters | | 86 | 93 |
| Decommissioning of mines | | 6 | 9 |
| TOTAL | 3a and 6 | 1,508 | 1,532 |

Litigation and arbitration.

At the date of formulation for issue of these Consolidated Financial Statements, the main litigation and arbitration proceedings involving ENDESA companies were as follows:

- There are two main ongoing legal proceedings against Edistribución Redes Digitales, S.L.U. relating to the forest fires that occurred in Gargallá (Barcelona) on 4 July 1994 and Aguilar de Segarra (Barcelona) on 18 July 1998, which could result in the obligation to settle various claims for damages amounting to Euros 11 million.
- On 11 May 2009, the Ministry for Energy, Tourism and Digital Agenda (currently Ministry for the Ecological Transition and the Demographic Challenge) issued a Ministerial Order imposing four distinct fines, for a combined value of Euros 15 million, on ENDESA Generación, S.A.U. as the operator of the Ascó I nuclear plant, in connection with a radioactive particle leak in December 2007, on the basis that the company had committed four serious violations contrary to the Nuclear Energy Act, Law 25/1964, of 29 April 1964. This Order was appealed against before the High Court, and on 1 December 2009 it ruled to stay the execution of the decision under challenge. ENDESA paid into court a bank guarantee covering the value of the fine. In addition, the Director General of Energy Policy and Mines imposed two fines of a combined value of Euros 90,000 for minor infringements relating to the same incidents. These fines were contested in administrative proceedings, and later in judicial review and with respect to which a) regarding that of Euros 15,000, appealed against before the Central Judicial Review Court, a Judgement was handed down on 3 July 2012, dismissing the appeal and the fine was paid, and b) the fine of Euros 75,000 was appealed against before the Madrid High Court of Justice, judicial review number 189/2010, and the procedure was suspended by the Order of 16 July 2012, due to the existing criminal proceedings. As for criminal proceedings, by Order of 25 May 2018, of the Court of Gadesa, the Preliminary Investigation in Summary Proceedings are transformed for transfer to the Prosecutor and accusations of the scope of the accusation and they request oral judgement (or dismissal) in 5 days, or exceptionally additional proceedings. It alludes to the complexity of the enormous evidence produced and contradiction of the opinions, which could only be resolved in the oral proceedings. On 7 June 2018, an appeal was filed by the Ascó-Vandellós II Nuclear Association, A.I.E., before the Provincial Court of Tarragona, which issued an order dated 8 May 2020 in which it upholds the Appeal. The complaint made was dismissed, as the Provincial Court considered that the result of the tests did not establish that the alleged crimes had been committed and that it had not been established that exposure to ionising radiation had caused serious danger to the life or health of the people, or for the environment. Neither had it been proven that there was commission of a crime against the health of the 316 workers, nor of documentary falsification. Now the proceedings in the contentious-administrative appeals filed against the aforementioned sanctions will be reopened.

- The administrative authorisations of the “Peña del Gato” and “Valdesamario” wind farms held by Energías Especiales del Alto Ulla, S.A.U. (100% owned by ENEL Green Power España, S.L.U. (EGPE), were invalidated through Supreme Court Decisions of 13 July 2015 and 5 May 2017 respectively on the grounds that the Environmental Impact Statement had not been processed correctly. For the same reasons, the licences granted by the Municipal Councils of Valdesamario and Riello for the Valdesamario wind farm were also invalidated (Ruling of the High Court of Castilla y León dated 26 June 2017 and Ruling of the Regional Appeal Court of León of 30 May 2017, both finals) in addition to the permits for the farm's feed-in infrastructures (Ruling of the Regional Appeal Court of Castilla y León of 13 and 19 March 2018, which were contested before the Supreme Court by its owner, Promociones Energéticas del Bierzo, S.L.U. (100% owned by ENEL Green Power España, S.L.U. (EGPE)), with the Supreme Court having rejected the three appeals in cassation lodged on 20 December 2018 and 31 January 2019) and the approval of the Ponjos electrical substation transformation project (Ruling of the Administrative Court 1 of León of 31 May 2017, contested by Promociones Energéticas del Bierzo, S.L.U. with the appeal pending). Turning to the Peña del Gato wind farm, a fresh administrative authorisation was secured on 8 May 2017 (after re-processing the project, rectifying the defects in the environmental impact report). The facilities were commissioned on 3 January 2018 (14 machines), and the remaining 11 machines on 4 April 2018, after receiving the permit for the occupation of public forest, in line with new administrative requirements. In the ruling on the enforcement, the Regional Appeal Court of Castilla y León has annulled the new administrative authorisation granted by Order of 30 July 2018, on the understanding that it was issued with the purpose of avoiding the ruling of the Regional Appeal Court of 13 July 2015. An appeal for reconsideration was filed against said Order by the Regional Government of Castilla y León and Energías Especiales del Alto Ulla, S.A.U., which was dismissed by Order of 21 December 2018. Energías Especiales del Alto Ulla, S.A.U., has filed an appeal for judicial review before the Supreme Court, which was ruled inadmissible by an order of 3 July 2019.

The Peña del Gato wind farm was forced to suspend operation again in May 2019 as a result of the paralysis of the evacuation infrastructure. Currently, the request for a new administrative authorisation for it is being processed.

With regard to the Valdesamario wind farm, currently closed, Energías Especiales del Alto Ulla, S.A.U. also requested the re-processing of the administrative authorisation and will ask for the cancelled permits to be re-assessed. With regard to the feed-in infrastructures and Ponjos electric transformer substation, facilities that are also currently closed, Promociones Energéticas del Bierzo, S.L.U. has filed a request with the regional government of Castilla y León to process the award of a new administrative authorisation and declaration of public interest. Additionally, on 16 May 2019, a request was filed with the León Contentious-Administrative Court with regard to the execution of the rulings on the high voltage line and amendments, asking that the infrastructure be allowed to continue to operate while the administrative procedure is being processed by the regional government. Said incidents were admitted by means of Rulings of 27 August 2020 and 29 September 2020, so the infrastructure is currently in operation.

- The Supreme Court handed down several rulings in the appeals filed by ENDESA, S.A. (and other companies in the electricity sector) against the obligation to finance the Social Bonus established in the former Article 45.4 of Law 24/2013, of 26 December 2013, on the Electricity Sector (declared inapplicable as incompatible with Directive 2009/72/EC, of the European Parliament and of the Council of 13 July 2009, as established in the Supreme Court rulings of 24 October 2016, 25 October 2016 and 2 November 2016). The Supreme Court recognised the right of ENDESA, S.A. to be compensated for the amounts paid as Social Bonus in application of the Article declared inapplicable, such that all amounts paid under this head be reimbursed together with interest at the legal rate. The Administration submitted applications for nullification of these rulings, but these were dismissed by the Supreme Court. Faced with this rejection, the Administration filed appeals for *amparo* (constitutional protection of fundamental rights) with the Constitutional Court, which ruled in favour of the Administration, obliging the Supreme Court to backtrack on the appeal process so as to present a preliminary question (question prior to issuing a ruling) on the applicability of European Community law to the case. ENDESA, S.A. first presented arguments before the Constitutional Court and then before the Supreme Court arguing that the Supreme Court's rulings have not violated the Administration's right to effective judicial protection without defencelessness and to a process with all guarantees (see Notes 4 and 25.3), so the Supreme Court's annulment decision had not been affected at all and should be ratified. On 17 July 2019, the Supreme Court, in proceedings followed by another company in the sector, notified a Resolution with two questions to the European Court. In the argumentation of these questions it maintains that the obligation to finance the Social Bonus is neither proportional nor transparent (Article 3.2 of the Electricity Directive) and that for the Supreme Court the

matter is clear: it has no doubt of the correctness of its ruling annulling the system of financing the Social Bonus which the Constitutional Court annulled in the appeal for protection (*amparo*). Five Supreme Court judges voted in favour of this Resolution, but one voted against the majority decision, maintaining that the Social Bonus was a proportional and transparent public service obligation. In the processing of the preliminary ruling by the Court of Justice of the European Union, the holding of the hearing has not been agreed, the Court having instead addressed three questions to the parties involved on the issues that in their opinion require this ruling. The different responses were sent in November 2020. On 5 January 2021 the Secretary of the Court sent each party the answers that he had received from the other parties. The CJEU will now decide, and with its decision the Supreme Court will issue new rulings, including that of ENDESA, S.A.

- In June 2017, the Competition Directorate of the “CNMC” opened infringement proceedings against Energía XXI Comercializadora de Referencia, S.L.U. for a possible breach of Article 3 of the Competition Act, Law 15/2007 of 3 July, for using the invoices of customers making use of the Small Consumer Voluntary Price (“PVPC”) system or the Last Resort Tariff (“TUR”) to advertise the services offered by ENDESA's deregulated supplier.

After the processing of the infringement proceedings, the submission of the resolution proposal and the filing of the corresponding pleadings by Energía XXI Comercializadora de Referencia, S.L.U., on 20 June 2019 the ruling of the “CNMC” was announced, which involved a fine of Euros 5.5 million for an alleged act of unfair competition contrary to Article 3 of the Competition Act, Law 15/2007 of 3 July, and Article 4 of Law 3/1991 of 10 January on unfair competition.

According to the Spanish Markets and Competition Commission (“CNMC”), ENDESA Energía XXI Comercializadora de Referencia, S.L.U. made use of a privileged channel (invoices issued to customers under the Small Consumer Voluntary Price (“PVPC”) or the Last Resort Tariff (TUR) systems), which was not accessible to competitors, to advertise deregulated market services to a supposedly vulnerable group i.e. regulated market consumers.

On 31 July 2019, Energía XXI Comercializadora de Referencia, S.L.U. filed a contentious-administrative appeal with the National Court, with a request for precautionary suspension of the execution of the sanctioning Resolution, among other issues because it considered that (i) the “CNMC” had based its conclusions on mere unproven assumptions, (ii) the conduct of Energía XXI Comercializadora de Referencia, S.L.U. did not meet the necessary requirements to be considered an act contrary to good faith and (iii) it had also not been proven that its conduct had affected competition or the public interest in a way that could be sanctioned under Article 3 of Law 15/2007 of 3 July on the Defence of Competition (“LDC”).

The matter is currently being processed before the National Court.

- On 2 March 2018, the Decision issued by the European Commission of 27 November 2017 in case SA 47912 (2017/NN), “environmental incentive for coal-fired power plants”, was published in the Official Journal of the European Union. By means of this Decision, the Directorate General for Competition of the European Commission initiated a formal investigation procedure under Article 108.2 of the Treaty on the Functioning of the European Union (TFEU), in order to determine whether the environmental incentive for coal plants provided for in Order ITC/3860/2007 constituted State aid compatible with the internal market. According to the literal wording of the Decision, the European Commission reached the preliminary conclusion that the said incentive constituted State aid within the meaning of Article 107.1 of the Treaty on the Functioning of the European Union (TFEU) and had doubts about its compatibility with the internal market.

On 13 April 2018 ENDESA Generación, S.A.U., in its capacity as a third party interested in the procedure, sent written arguments defending the view that the Incentive for environmental investment does not constitute State aid and, subsidiarily, for the hypothetical eventuality that the European Commission were to reach the opposite conclusion, that this is compatible with the internal market. Subsequently, in July 2018, Gas Natural SDG, S.A. filed an appeal (T-328/18) before the General Court against the Decision of the European Commission to open a formal investigation procedure, the matter currently pending resolution.

- On 14 December 2020, the Competition Directorate of the “CNMC” notified ENEL Green Power España, S.L.U. (EGPE) and its parent company, ENDESA Generación, S.A.U. of the instigation of sanctioning proceedings for alleged abuse of a dominant position by ENEL Green Power España, S.L.U. (EGPE) in the market for access and connection to the transmission grid at certain nodes with effects on the related electricity generation market. According to the “CNMC”, EGPE allegedly took advantage of its status as Single Node Interlocutor (“IUN”) to favour companies of the same Group to the detriment of third-party generating companies.

ENEL Green Power España, S.L.U. EGPE has submitted pleadings indicating that, far from there being abusive practices, this concerns a generalised problem deriving from the currently existing regulatory deficiencies regarding the role of the Single Node Interlocutor (“IUN”).

It was also stressed that ENEL Green Power España, S.L.U. (EGPE) does not in fact have a dominant position in the market for access and connection to the transmission network, nor does the Single Node Interlocutor (“IUN”) have decision making powers or indeed influence in the processing of access to the network, as has been recognised by the “CNMC” itself in numerous cases and is thus included in the sectoral regulations that give the System Operator the exclusive power to attend to and analyse the requests for connection to the transmission network. ENEL Green Power España, S.L.U. (EGPE) considers that there has been no exclusionary effect, nor any market closure, and the accusation of alleged abusive practice should be declared entirely baseless.

- A lawsuit regarding the proceedings initiated by the Inspection in 2017 of ENEL Green Power España, S.L.U. (EGPE) is ongoing (EGPE) in relation to the Corporate Income Tax for the financial years 2010 to 2013. The main issue under discussion concerns the applicability or otherwise of the tax neutrality regime to the merger of ENEL Green Power España, S.L.U. (EGPE) by absorption of ENEL Unión Fenosa Renovables, S.A. in 2011. On 10 December 2019, a dismissal resolution was obtained from the Central Economic-Administrative Court on the Corporate Income Tax for 2011 (as regards the position of ENEL Green Power España, S.L.U. (EGPE) as successor to ENEL Unión Fenosa Renovables, SA) and it has been decided to file an appeal before the National High Court. Likewise, on 16 June 2020, a partial resolution was received for the Corporate Income Tax for the financial years 2010 to 2013, where the effects of the application of the tax neutrality regime in that period are discussed, which, in the same way, has decided to continue appealing before the National High Court. There is a guarantee covering the suspension of the debt.
- In 2016, the Tax Agency notified ENDESA of the agreement to initiate the proceedings regarding the consolidated tax group number 572/10 to which ENDESA, S.A. belongs and its subsidiaries with respect to Corporate Income Tax for 2011 to 2014. In April 2018, contested tax audit reports were signed by the consolidated group in relation to Corporate Income Tax for 2011 to 2014. On 9 July 2018, the final settlement agreements were issued, which were appealed on 27 July 2018 before the Central Tax Appeal Board and are pending resolution. The items under discussion relate mainly to the difference of opinion on the deductibility of expenses for decommissioning of plants and of certain financial expenses from the period inspected. There is a guarantee covering the suspension of the debt.
- Following a large number of meetings of the Committee responsible for negotiating “V ENDESA Framework Collective Agreement”, starting in October 2017 and continuing throughout 2018, and given that no agreement was reached, the Company's management informed its workers and their representatives that, with effect from 1 January 2019, ENDESA's “IV Framework Collective Agreement” would be considered to have ended, in addition to the “Guarantee Framework Agreement” and the “Agreement on voluntary suspension or termination of employment contracts for 2013-2018”, from which date the general collective agreement would apply, in addition to all case law established in this regard.

The different interpretations by ENDESA and by the trade unions representatives of the effects of terminating ENDESA's "IV Framework Collective Agreement", specifically with regard to the social benefits for former employees, led the trade unions with representation in ENDESA companies to file a collective dispute claim with the Spanish High Court at the beginning of 2019. On 26 March 2019, the Spanish High Court ruled in favour of ENDESA, validating the Company's interpretation with regard to the withholding of certain social benefits for former employees following the termination of ENDESA's "IV Framework Collective Agreement".

Although this ruling is fully enforceable, in April 2019 the unions with representation in ENDESA companies lodged an appeal in cassation with the Supreme Court, to which the company responded by means of a written challenge filed on 19 June 2019. In December 2019, the majority trade union in ENDESA, General Workers Union (UGT), agreed to withdraw the aforementioned Appeal as a result of voluntarily submitting to an arbitration in equity for the resolution of certain aspects relating to the "V ENDESA Framework Collective Agreement". Therefore, the appeal to the Supreme Court continues to be processed at the request of the three minority appellant unions ("Comisiones Obreras (CCOO)", "Sindicato Independiente de la Energía (SIE)" and "Confederación Intersindical Galega (CIG)") and at the date of formulation of these Consolidated Financial Statements is pending resolution, which is expected to occur in the first half of 2021 due to the delays in judicial actions as a result of the current health crisis.

- In addition to the aforementioned Collective Conflict lawsuit, almost a thousand individual claims have been submitted at the time of issue of these Consolidated Financial Statements by former personnel or personnel under the voluntary departures plan ("AVS") who claim that the termination of the "IV ENDESA Framework Collective Agreement" did not affect them in the terms notified by the Company. At the time of issue of these Consolidated Financial Statements, most of these claims are pending or suspended, since the fact that the Collective Conflict appeal is pending before the Supreme Court determines the stoppage of the individual proceedings affected by the same matter, in accordance with labour law procedural regulations. Consequently, the result of these individual claims, and of any new ones that could be initiated after the issue of these Consolidated Annual Accounts, will depend to a large extent on the outcome of the appeal filed.
- On 30 December 2020 notice was received from the National Court of the demand for a Collective Conflict filed by the Trade Unions "Comisiones Obreras (CCOO)", "Sindicato Independiente de la Energía (SIE)" and "Confederación Intersindical Galega (CIG)" dated 16 December 2020 requesting the annulment of certain Derogatory Provisions of the "V ENDESA Framework Collective Agreement". In the plaintiffs' opinion, the Derogatory Provisions to which they object imply the unlawful elimination of social benefits and economic rights. ENDESA maintains the opposite position, defending its absolute legality, consistent with what was argued in the challenge to the modification of social benefits for retired personnel (favourable ruling in the National Court, pending appeal before the Supreme Court). The date for the Conciliation Act and hearing has been set for 23 June 2021.

The Directors of the Parent Company consider that the provisions recognised in the Consolidated Financial Statements adequately cover the risks relating to litigation, arbitration and other matters referred to in this Note, and do not expect these issues to give rise to any liability not already provided for.

Given the nature of the risks covered by these provisions, it is impracticable to determine a reasonable timetable of payment dates, if any.

Payments made to settle litigation in 2020 and 2019 came to Euros 4 million and Euros 60 million, respectively.

17. Financial debt.

17.1. Current and non-current borrowings.

Details of current and non-current interest-bearing loans and borrowings in the Consolidated Statement of Financial Position at 31 December 2020 and 2019 are as follows:

Millions of euros

| | Notes | 31 December 2020 | | | | Fair value |
|---|-----------|------------------|-----------------|--------------|--------------|--------------|
| | | Nominal Value | Carrying amount | | | |
| | | | Non-current | Current | Total | |
| Bonds and other negotiable securities | | 1,174 | 20 | 1,162 | 1,182 | 1,182 |
| Bank Borrowings | | 2,228 | 2,124 | 101 | 2,225 | 2,288 |
| Other financial liabilities ⁽¹⁾ | | 3,866 | 3,757 | 109 | 3,866 | 4,305 |
| Total borrowings excluding derivatives | 18 | 7,268 | 5,901 | 1,372 | 7,273 | 7,775 |
| Derivatives | 18.3 | 863 | 36 | - | 36 | 36 |
| TOTAL ⁽²⁾ | | 8,131 | 5,937 | 1,372 | 7,309 | 7,811 |

(1) Includes non-current and current financial liabilities associated with right of use assets (Euros 740 million and Euros 63 million respectively) (see Note 6.1.1).

(2) 45% of which corresponds to sustainable financing.

Millions of euros

| | Notes | 31 December 2019 | | | | Fair value |
|---|-----------|------------------|-----------------|------------|--------------|--------------|
| | | Nominal Value | Carrying amount | | | |
| | | | Non-current | Current | Total | |
| Bonds and other negotiable securities | | 808 | 20 | 796 | 816 | 816 |
| Bank Borrowings | | 2,010 | 1,943 | 65 | 2,008 | 2,146 |
| Other financial liabilities ⁽¹⁾ | | 3,762 | 3,669 | 93 | 3,762 | 4,251 |
| Total borrowings excluding derivatives | 18 | 6,580 | 5,632 | 954 | 6,586 | 7,213 |
| Derivatives | 18.3 | 900 | 20 | 1 | 21 | 21 |
| TOTAL ⁽²⁾ | | 7,480 | 5,652 | 955 | 6,607 | 7,234 |

(1) Includes non-current and current financial liabilities associated with right of use assets (Euros 646 million and Euros 64 million respectively) (see Note 6.1.1).

(2) 27% of which corresponds to sustainable financing.

At 31 December 2020 and 2019, details of the nominal value of financial debt not counting derivatives by maturity were as follows:

Millions of euros

| | Maturity | Carrying amount at 31 December 2022 | Fair value | Nominal Value | | Maturities | | | | | Total Nominal Value |
|--|----------|-------------------------------------|--------------|---------------|--------------|------------|------------|--------------|------------|--------------|---------------------|
| | | | | Current | Non-current | 2022 | 2023 | 2024 | 2025 | Subsequent | |
| Bonds and other negotiable securities | | 1,182 | 1,182 | 1,162 | 12 | - | - | - | - | 12 | 1,174 |
| Fixed interest rate | 2031 | 20 | 20 | - | 12 | - | - | - | - | 12 | 12 |
| Floating interest rate | 2021 | 1,162 | 1,162 | 1,162 | - | - | - | - | - | - | 1,162 |
| Bank Borrowings | | 2,225 | 2,288 | 101 | 2,127 | 490 | 190 | 192 | 191 | 1,064 | 2,228 |
| Floating interest rate | 2034 | 2,225 | 2,288 | 101 | 2,127 | 490 | 190 | 192 | 191 | 1,064 | 2,228 |
| Other financial liabilities | | 3,866 | 4,305 | 109 | 3,757 | 61 | 60 | 3,054 | 60 | 522 | 3,866 |
| Fixed interest rate | 2080 | 3,824 | 4,249 | 78 | 3,746 | 60 | 60 | 3,054 | 55 | 517 | 3,824 |
| Floating interest rate | 2026 | 42 | 56 | 31 | 11 | 1 | - | - | 5 | 5 | 42 |
| TOTAL | | 7,273 | 7,775 | 1,372 | 5,896 | 551 | 250 | 3,246 | 251 | 1,598 | 7,268 |

Millions of euros

| | Maturity | Carrying amount at 31 December 2019 | Fair value | Nominal Value | | Maturities | | | | | Total Nominal Value |
|--|----------|-------------------------------------|--------------|---------------|--------------|------------|------------|------------|--------------|--------------|---------------------|
| | | | | Current | Non-current | 2021 | 2022 | 2023 | 2024 | Subsequent | |
| Bonds and other negotiable securities | | 816 | 816 | 796 | 12 | - | - | - | - | 12 | 808 |
| Fixed interest rate | 2031 | 20 | 20 | - | 12 | - | - | - | - | 12 | 12 |
| Floating interest rate | 2020 | 796 | 796 | 796 | - | - | - | - | - | - | 796 |
| Bank Borrowings | | 2,008 | 2,146 | 65 | 1,945 | 91 | 254 | 190 | 188 | 1,222 | 2,010 |
| Floating interest rate | 2034 | 2,008 | 2,146 | 65 | 1,945 | 91 | 254 | 190 | 188 | 1,222 | 2,010 |
| Other financial liabilities | | 3,762 | 4,251 | 93 | 3,669 | 78 | 74 | 52 | 3,052 | 413 | 3,762 |
| Fixed interest rate | 2065 | 3,719 | 4,206 | 66 | 3,653 | 69 | 67 | 52 | 3,052 | 413 | 3,719 |
| Floating interest rate | 2022 | 43 | 45 | 27 | 16 | 9 | 7 | - | - | - | 43 |
| TOTAL | | 6,586 | 7,213 | 954 | 5,626 | 169 | 328 | 242 | 3,240 | 1,647 | 6,580 |

At 31 December 2020 and 2019, the breakdown of gross finance debt before derivatives, by currencies, and the impact of currency hedges, was as follows:

Millions of euros

| | 31 December 2020 | | | | | | | |
|-----------------|------------------------|---------------|---------------|-------------------------|---|---------------|-----------------------|-------------------------|
| | Initial debt structure | | | Effects of debt hedging | Structure of debt subsequent to hedging | | Interest Rate | |
| | Amortised cost | Nominal Value | % of total | | Amortised cost | % of total | Average interest rate | Effective interest rate |
| Euros | 7,186 | 7,181 | 98.8% | - | 7,186 | 98.8% | 1.7% | 1.7% |
| US dollar (USD) | 87 | 87 | 1.2% | - | 87 | 1.2% | 3.5% | 3.5% |
| Others | - | - | 0.0% | - | - | 0.0% | - | - |
| TOTAL | 7,273 | 7,268 | 100.0% | - | 7,273 | 100.0% | 1.7% | 1.7% |

Millions of euros

| | 31 December 2019 | | | | | | | |
|-----------------|------------------------|---------------|---------------|-------------------------|---|---------------|-----------------------|-------------------------|
| | Initial debt structure | | | Effects of debt hedging | Structure of debt subsequent to hedging | | Interest Rate | |
| | Amortised cost | Nominal Value | % of total | | Amortised cost | % of total | Average interest rate | Effective interest rate |
| Euros | 6,477 | 6,471 | 98.3% | - | 6,477 | 98.3% | 1.8% | 1.8% |
| US dollar (USD) | 109 | 109 | 1.7% | - | 109 | 1.7% | 4.1% | 4.1% |
| Others | - | - | 0.0% | - | - | 0.0% | - | - |
| TOTAL | 6,586 | 6,580 | 100.0% | - | 6,586 | 100.0% | 1.8% | 1.8% |

Movement in the nominal amount of non-current financial debt excluding derivatives in 2020 and 2019 was as follows:

Millions of euros

| | Nominal value at 31 December 2019 | Does not create cash flows | | | Creates cash flows | | Nominal value at 31 December 2020 |
|---------------------------------------|-----------------------------------|----------------------------|--------------|----------------------------|--------------------|--------------|-----------------------------------|
| | | Additions/(Disposals) | Transfers | Repayments and redemptions | New borrowings | | |
| | | | | (Note 32.3) | (Note 32.3) | | |
| Bonds and other negotiable securities | 12 | - | - | - | - | 12 | |
| Bank Borrowings | 1,945 | - | (89) | (71) | 342 | 2,127 | |
| Other financial liabilities | 3,669 | 158 | (67) | (504) | 501 | 3,757 | |
| TOTAL | 5,626 | 158 | (156) | (575) | 843 | 5,896 | |

Millions of euros

| | Nominal value at 31 December 2018 | Does not create cash flows | | | Creates cash flows | | Nominal value at 31 December 2019 |
|---------------------------------------|-----------------------------------|---|-------------------------|-------------|----------------------------|----------------|-----------------------------------|
| | | Adjustments due to Changes in Accounting Policies IFRS 16 | Additions / (Disposals) | Transfers | Repayments and redemptions | New borrowings | |
| | | | | | (Note 32.3) | (Note 32.3) | |
| Bonds and other negotiable securities | 12 | - | - | - | - | 12 | |
| Bank Borrowings | 1,490 | - | - | (29) | 667 | 1,945 | |
| Other financial liabilities | 3,462 | 159 | 123 | (64) | 3 | 3,669 | |
| TOTAL | 4,964 | 159 | 123 | (93) | 670 | 5,626 | |

Movement in the nominal amount of current financial debt excluding derivatives in 2020 and 2019 was as follows:

Millions of euros

| | Nominal value at 31 December 2019 | Does not create cash flows | | | Creates cash flows | | Nominal value at 31 December 2020 |
|---------------------------------------|-----------------------------------|----------------------------|------------|----------------------------|--------------------|--------------|-----------------------------------|
| | | Additions/(Disposals) | Transfers | Repayments and redemptions | New borrowings | | |
| | | | | (Note 32.3) | (Note 32.3) | | |
| Bonds and other negotiable securities | 796 | - | - | 1 | 13,913 | 1,162 | |
| Bank Borrowings | 65 | - | - | 89 | 25 | 101 | |
| Other financial liabilities | 93 | 7 | 66 | (99) | 42 | 109 | |
| TOTAL | 954 | 7 | 156 | (13,725) | 13,980 | 1,372 | |

Millions of euros

| | Nominal value at 31 December 2018 | Does not create cash flows | | | Creates cash flows | | Nominal value at 31 December 2019 |
|---------------------------------------|-----------------------------------|---|------------------------|-----------|--|----------------------------|-----------------------------------|
| | | Ajuste por Cambios de Criterios Contables NIIF 16 | Additions /(Disposals) | Transfers | Repayments and redemptions (Note 32.3) | New borrowings (Note 32.3) | |
| Bonds and other negotiable securities | 920 | - | - | - | (10,972) | 10,848 | 796 |
| Bank Borrowings | 53 | - | - | 28 | (49) | 33 | 65 |
| Other financial liabilities | 73 | 27 | 1 | 66 | (118) | 44 | 93 |
| TOTAL | 1,046 | 27 | 1 | 94 | (11,139) | 10,925 | 954 |

The average interest on gross financial debt in 2020 was 1.7% (1.8% in 2019) (see Note 3a.1).

17.2. Other matters.

17.2.1. Liquidity.

At 31 December 2020, ENDESA's liquidity amounted to Euros 4,493 million (Euros 3,300 million at 31 December 2019) as detailed below:

Millions of euros

| | Notes | Liquidity | |
|---|-------|------------------|------------------|
| | | 31 December 2020 | 31 December 2019 |
| Cash and Cash Equivalents | 13 | 403 | 223 |
| Unconditional availability in credit lines ⁽¹⁾ | 19.4 | 4,090 | 3,077 |
| TOTAL | | 4,493 | 3,300 |

(1) At 31 December 2020 and 2019, Euros 1,000 million corresponded to the available committed and irrevocable credit line arranged with ENEL Finance International, N.V. In addition, at 31 December 2020, Euros 700 million corresponded to the new credit line available with ENEL Finance International, N.V. (see Note 34.1.2).

At 31 December 2020, ENDESA had negative working capital of Euros 2,321 million. The undrawn amount under the Company's long-term credit lines provides assurance that ENDESA can obtain sufficient financial resources to continue its operations, realise its assets and settle its liabilities for the amounts shown in the statement of financial position (see Note 19.4).

These undrawn credit lines also secure the refinancing of current debt presented in Non-Current Financial Debt in the accompanying Consolidated Statement of Financial Position (see Note 3m), which amounted to Euros 33 million at 31 December 2020 (Euros 29 million at 31 December 2019) (see Note 3m).

The amount of these credit lines, together with the current assets, provides sufficient coverage of ENDESA's short-term payment obligations (see Note 19.4).

17.2.2. Main financial transactions.

At the date of approval of these Consolidated Financial Statements, ENDESA has not had to resort to refinancing processes for its financial debt as a consequence of the COVID-19 health crisis (see Notes 2.2.1, 4 and 38).

The main transactions in 2020 were as follows:

- ENDESA S.A. registered a new Euro Commercial Paper (ECP) SDG7 issue programme for Euros 4,000 million, the outstanding balance at 31 December 2020 being Euros 1,162 million, renewable with the backing of irrevocable bank credit lines. This Programme incorporates, for the first time, sustainability objectives, in line with ENDESA's Strategic Plan.
- The following financial transactions were also concluded in 2020:

Millions of euros

| | Counterparty | Date of Signing | Expiry Date | Amount |
|--|---|-----------------|------------------|--------------|
| Loan ^{(1) (2)} | Caixabank, S.A., Bankia, S.A. and Kutxabank, S.A. | 17 April 2020 | 19 April 2022 | 300 |
| Credit Line ⁽¹⁾ | Caixabank, S.A., Bankia, S.A. and Kutxabank, S.A. | 17 April 2020 | 19 April 2022 | 250 |
| Intercompany Line of Credit ⁽²⁾ | ENEL Finance International, N.V. | 03 June 2020 | 03 June 2022 | 700 |
| Loan ^{(1) (3)} | European Investment Bank (EIB) | 30 July 2020 | 3 September 2035 | 35 |
| TOTAL | | | | 1,285 |

(1) They include sustainability clauses.

(2) Financial operations carried out to strengthen the liquidity position and ensure the continuity of business activity in the current context.

(3) Financial operation carried out to promote ENDESA's electric mobility plan and partly finance more than 8,500 electric recharging points in Spain. It was disbursed on 1 September 2020. This drawdown is at a variable rate of interest, repayable from September 2024.

- On 30 September 2020 ENDESA, S.A. formalised the novation of a bond, together with the associated derivative, for an amount of Euros 12 million, until now issued by International ENDESA B.V. (in liquidation) With this transaction, the financial activity of International ENDESA, B.V. (in liquidation) came to an end, and the company was liquidated on 30 December 2020 (see Note 2.3.1).

17.2.3. Financial stipulations.

Certain ENDESA subsidiaries are subject to compliance with certain obligations stipulated in their financing contracts (covenants) that are standard in contracts of this nature.

At 31 December 2020, neither ENDESA, S.A. nor any of its subsidiaries were in breach of their financial obligations or of any type of obligation that might give rise to early maturity of their financial commitments.

ENDESA's Directors do not consider that these clauses affect the current/non-current classification in the Consolidated Statement of Financial Position at 31 December 2020.

Financial stipulations.

The financing agreements of ENDESA, S.A., which centralises almost all ENDESA's financing activity, contain no covenants whereby failure to maintain certain financial ratios would lead to breach and early termination.

In the case of outstanding bond issues of ENDESA, S.A. (Euros 12 million at 31 December 2020), these contain:

- Cross-default clauses, whereby debt must be prepaid in the event of default (over and above a certain amount) on the settlement of certain obligations of ENDESA, S.A. as guarantor, or of the issuers.

In addition, the commitments of the outstanding bond issues of ENDESA, S.A. and the bank financing arranged by ENDESA, S.A. contain the following clauses:

- Clauses limiting the granting of guarantees (negative pledge) whereby ENDESA, S.A. may not issue mortgages, liens or other charges on its assets to secure certain types of obligations, unless equivalent guarantees are issued in favor of the other debtors.
- Pari passu clauses, under which the bonds and bank financing rank pari passu with other present and future unsecured and unsubordinated debt issued by ENDESA, S.A.

Credit rating clauses.

At 31 December 2020 and 2019, ENDESA, S.A. had entered into financial transactions with the European Investment Bank (EIB) and with the "Instituto de Crédito Oficial" ("ICO") amounting to Euros 1,703 million and Euros 1,702 million respectively that could require additional guarantees or renegotiation if its credit rating were downgraded to below certain levels.

Clauses related to the change of control.

At 31 December 2020, ENDESA, S.A. had loans and other borrowings from banks and ENEL Finance International, N.V. For an amount equivalent to Euros 7,053 million, with an outstanding debt of Euros 5,103 million, which might have to be repaid early in the event of a change of control over ENDESA, S.A. (Euros 5,814 million at 31 December 2019, with a nominal outstanding debt of Euros 4,814 million).

Clauses related to the assignment of assets.

Part of the debt of ENDESA S.A. includes restrictions if a certain percentage of ENDESA's consolidated assets is surpassed, which varies for the related transactions from 7% to 10%.

Above these percentages, restrictions would generally apply only if no equivalent consideration were received or if ENDESA, S.A.'s solvency were to be significantly and negatively affected.

The amount of debt affected by these clauses at 31 December 2020 was Euros 1,803 million (Euros 1,814 million at 31 December 2019).

Project financing.

At 31 December 2020, certain ENDESA subsidiaries operating in the renewable energy business and financed through project finance had financial debt of Euros 79 million (Euros 91 million at 31 December 2019) (see Notes 6.4, 14.1.13 and 35.1), which included the following clauses:

- These debts and their associated derivatives with a negative net market value of Euros 2 million (Euros 3 million at 31 December 2019) might have to be settled early in the event of a change of control.
- Pledges of shares granted as assurance of compliance with obligations under contract to financial institutions for the amount of the outstanding financial debt (see Notes 6.4 and 35.1).
- Restrictions of sales of assets consisting of obtaining the authorisation of most lenders, and in certain cases, of allocating the amount of their sale to repay debt.
- Restrictions in the distribution of profits to shareholders, subject to the fulfilment of certain conditions.
- The obligation to recognise a debt service reserve account (see Note 13).

Clauses related to compliance with ratios.

At 31 December 2020 and 2019, certain ENDESA subsidiaries that operate in the renewable generation business were obliged to comply with specific annual debt servicing coverage ratios (ADSCR). Regarding the same, all the outstanding debt as at 31 December 2020 complies with said ratios. At 31 December 2019, with the exception of one of the companies in which the Directors took the steps necessary to refinance the debt of Euros 1 million, debt pending payment fulfilled these ratios.

17.2.4. Other matters

At 31 December 2020 and 2019, the estimated interest on gross financial debt, considering the interest rates in force on those dates and until maturity, was as follows:

Millions of euros

| Instrument | Total | Interest on Gross financial debt at 31 December 2020 | | | | | |
|---------------------------------------|------------|--|------------|------------|------------|-----------|------------|
| | | 2021 | 2022 | 2023 | 2024 | 2025 | Subsequent |
| Bonds and other negotiable securities | 5 | (2) | 1 | 1 | 1 | 1 | 3 |
| Bank Borrowings | 20 | 5 | 3 | 2 | 2 | 2 | 6 |
| Other financial liabilities | 610 | 121 | 119 | 117 | 114 | 22 | 117 |
| TOTAL | 635 | 124 | 123 | 120 | 117 | 25 | 126 |

Millions of euros

| Instrument | Total | Interest on Gross financial debt at 31 December 2019 | | | | | |
|---------------------------------------|------------|--|------------|------------|------------|------------|------------|
| | | 2020 | 2021 | 2022 | 2023 | 2024 | Subsequent |
| Bonds and other negotiable securities | 8 | - | 1 | 1 | 1 | 1 | 4 |
| Bank Borrowings | 23 | 4 | 3 | 3 | 2 | 3 | 8 |
| Other financial liabilities | 703 | 122 | 120 | 117 | 115 | 112 | 117 |
| TOTAL | 734 | 126 | 124 | 121 | 118 | 116 | 129 |

At 31 December 2020 and 2019, no issues were convertible into Company shares or granted holders privileges or rights that could, in certain cases, make the issues convertible into shares.

18. Financial instruments,

At 31 December 2020 and 2019, the classification of financial instruments in the Consolidated Statement of Financial Position is as follows:

Millions of euros

| | Notes | 31 December 2020 | | 31 December 2019 | |
|--|-------------|------------------|--------------|------------------|--------------|
| | | Non-current | Current | Non-current | Current |
| Financial asset instruments | | | | | |
| Derivatives | 18.3 | 169 | 467 | 96 | 563 |
| Financial Assets | 18.1 | 778 | 1,177 | 812 | 1,215 |
| Customers for Sales & Services and other Debtors | 12 | - | 2,572 | - | 2,483 |
| Cash and Cash Equivalents | 13 | - | 403 | - | 223 |
| TOTAL | 18.1 | 947 | 4,619 | 908 | 4,484 |
| Financial liability instruments | | | | | |
| Derivatives | 18.3 | 236 | 404 | 45 | 462 |
| Borrowings | 17.1 | 5,901 | 1,372 | 5,632 | 954 |
| Other liabilities | 20 | 631 | - | 653 | - |
| Trade Payables and Other Current Liabilities | 22 | - | 5,323 | - | 5,587 |
| TOTAL | 18.2 | 6,768 | 7,099 | 6,330 | 7,003 |

18.1. Classification of non-current and current financial instruments

At 31 December 2020 and 2019, the classification of financial instruments in the Consolidated Statement of Financial Position by category was as follows:

Millions of euros

| | Notes | 31 December 2020 | | 31 December 2019 | |
|---|-------------------|------------------|--------------|------------------|--------------|
| | | Non-current | Current | Non-current | Current |
| Financial assets measured at amortised cost | | | | | |
| Financial Assets | 18.1.1 | 772 | 4,152 | 807 | 3,921 |
| Customers for Sales & Services and other Debtors | 12 | - | 2,572 | - | 2,483 |
| Cash and Cash Equivalents | 13 | - | 403 | - | 223 |
| Financial assets at fair value with changes through profit and loss | | | | | |
| Equity instruments | 18.1.2 and 18.6.1 | 6 | - | 5 | - |
| Derivatives not designated as hedging instruments | 18.3 | 21 | 300 | 9 | 400 |
| Financial assets at fair value with changes through Other Comprehensive Income | | | | | |
| Hedging derivatives | 18.3 | 148 | 167 | 87 | 163 |
| TOTAL | | 947 | 4,619 | 908 | 4,484 |

In the current context, ENDESA has not modified its business model and the characteristics of the contractual cash flows of its financial assets have not been significantly modified, therefore there has been no reclassification between their categories (see Notes 2.2.1 and 38).

Movements in non-current financial assets, without derivatives, in 2020 and 2019 were as follows:

Millions of euros

| | Balance at 31 December 2019 | Additions or charges | Disposals, derecognitions or reductions | Valuation adjustments recognised in equity | Transfers and other | Changes in consolidation scope | Balance at 31 December 2020 |
|-----------------------|-----------------------------|----------------------|---|--|---------------------|--------------------------------|-----------------------------|
| Loans and receivables | 837 | 249 | (14) | - | (276) | (1) | 795 |
| Equity instruments | 8 | 1 | - | - | - | - | 9 |
| Impairment losses | (33) | - | - | - | 7 | - | (26) |
| TOTAL | 812 | 250 | (14) | - | (269) | (1) | 778 |

Millions of euros

| | Balance at 31 December 2018 | Additions or charges | Disposals, derecognitions or reductions | Valuation adjustments recognised in equity | Transfers and other | Changes in consolidation scope | Balance at 31 December 2019 |
|-----------------------|-----------------------------|----------------------|---|--|---------------------|--------------------------------|-----------------------------|
| Loans and receivables | 771 | 291 | (18) | (207) | - | - | 837 |
| Equity instruments | 8 | (1) | - | 1 | - | - | 8 |
| Impairment losses | (11) | - | - | (22) | - | - | (33) |
| TOTAL | 768 | 290 | (18) | (228) | - | - | 812 |

Details of non-current financial assets, without derivatives, by maturity at 31 December 2020 and 2019 are as follows:

| Millions of euros | | 31 December 2020 | 31 December 2019 |
|-----------------------|--|------------------|------------------|
| Between 1 and 3 years | | 220 | 248 |
| Between 3 and 5 years | | 11 | 14 |
| More than five years | | 547 | 550 |
| TOTAL | | 778 | 812 |

18.1.1. Financial assets at amortised cost.

At 31 December 2020 and 2019, details of financial assets at amortised cost, by nature, were as follows:

| Millions of euros | | 31 December 2020 | | 31 December 2019 | |
|--|-------|------------------|--------------|---------------------|--------------|
| | Notes | Non-current | Current | Non-current | Current |
| Financial Assets | | 772 | 1,177 | 807 | 1,215 |
| Financing of the revenue shortfall from regulated activities in Spain and other regulated remuneration | 4 | - | 277 | - | 389 |
| Compensation for extra costs in non-mainland generation | 4 | - | 602 | - | 561 |
| Guarantee and deposits | | 443 | - | 449 | - |
| Loans to employees | | 27 | 9 | 22 | 9 |
| Loans to Associated Companies, Joint Ventures and Joint Operation Entities | 34.2 | 59 | 5 | 65 | 4 |
| Remuneration of Distribution Activity | 4 | 183 | 246 | 224 | 178 |
| Remuneration for Renewable Energy Investment | 4 | 1 | - | - | - |
| Other financial assets | | 83 | 40 | 77 | 88 |
| Value corrections | | (24) | (2) | (30) ⁽¹⁾ | (14) |
| Customers for Sales & Services and other Debtors | 12 | - | 2,572 | - | 2,483 |
| Cash and Cash Equivalents | 13 | - | 403 | - | 223 |
| TOTAL | | 772 | 4,152 | 807 | 3,921 |

(1) Includes Euros 1 million corresponding to loans to Associates, Joint Ventures and Joint Operations.

The fair value of these financial assets does not differ substantially from their carrying amount.

Financing of the revenue shortfall from regulated activities in Spain

On 13 December, 2014, Royal Decree 1054/2014 of 12 December was published in the Official State Gazette ("BOE"), regulating the procedure for the assignment of collection rights of the electricity system deficit for 2013 and implementing the methodology for calculating the rate at which the collection rights of this deficit and, if applicable, previous negative timing mismatches, will accrue interest (see Note 4).

At 31 December 2020, the amount of the collection right associated with the shortfall for timing mismatches was Euros 277 million, recognised under "Current Financial Assets" in the Consolidated Statement of Financial Position (Euros 389 million at 31 December 2019).

In 2020 and 2019, the financing of the revenue shortfall from regulated activities in Spain did not accrue interest, since the entirety of the amount pending collection during both years corresponded to transitory variations.

Compensation for extra costs of non-mainland generation

At 31 December 2020 and 2019, in application of the regulation described in Note 4, the amounts recognised were Euros 602 million and Euros 561 million respectively, recognised under "Current Financial Assets".

Guarantee deposits

At 31 December 2020 and 2019, Guarantees and Deposits mainly include guarantees and deposits received from customers in Spain at the date of signing contracts in guarantee of electricity supply, and which are also recognised as Other non-current liabilities in the Consolidated Statement of Financial Position, as they have been deposited with the pertinent public administrations in accordance with standards in force in Spain (see Note 20).

Loans to Associates, Joint Ventures and Joint Operations.

Details by maturity of non-current and current loans to associates and joint operation entities and joint ventures at 31 December 2020 and 2019 are as follows:

Millions of euros

| | Notes | Balance at 31 December 2020 | Current maturity 2021 | Non-current maturity | | | | | Total |
|---------------------|-------------|-----------------------------|-----------------------|----------------------|----------|----------|----------|------------|-----------|
| | | | | 2022 | 2023 | 2024 | 2025 | Subsequent | |
| In Euros | | 64 | 5 | 2 | 1 | - | - | 56 | 59 |
| In Foreign currency | | - | - | - | - | - | - | - | - |
| TOTAL | 34.2 | 64 | 5 | 2 | 1 | - | - | 56 | 59 |

Millions of euros

| | Notes | Balance at 31 December 2019 | Current maturity 2020 | Non-current maturity | | | | | Total |
|---------------------|-------------|-----------------------------|-----------------------|----------------------|----------|----------|----------|-------------------|-----------|
| | | | | 2021 | 2022 | 2023 | 2024 | Subsequent | |
| In Euros | | 69 | 4 | - | - | - | - | 65 ⁽¹⁾ | 65 |
| In Foreign currency | | - | - | - | - | - | - | - | - |
| TOTAL | 34.2 | 69 | 4 | - | - | - | - | 65 | 65 |

(1) Corresponding to the gross amount not including the value adjustment for the amount of Euros 1 million.

These loans accrued interest at an average annual rate of 3.4%.

Remuneration of the distribution activity.

At 31 December 2020, in application of the regulation described in Note 4, the amounts recognised totalled Euros 183 million and Euros 246 million, recognised under Non-current Financial Assets and Current Financial Assets respectively (Euros 224 million and Euros 178 million at 31 December 2019).

Remuneration of investment in Renewable Energies

At 31 December 2020, in application of the regulations described in Note 4, the net amounts recognised totalled Euros 4 million, corresponding to Euros 1 million, Euros 1 million and Euros 4 million recognised under the headings "Non-Current Financial Assets", "Other Non-Current Liabilities" and "Other Current Liabilities" respectively in the Consolidated Statement of Financial Position (see Notes 18, 20 and 22 respectively) (Euros 47 million net recognised in the liabilities of the Consolidated Statement of Financial Position at 31 December 2019).

Valuation adjustments.

During 2020 and 2019, movements in the heading "Value correction" of financial assets, excluding the heading "Customers for Sales and Provision of Services and other Receivables" (see Note 12.1) were as follows:

Millions of euros

| | Notes | 2020 | 2019 |
|------------------------|-------------------------|-----------|-----------|
| Opening balance | | 44 | 20 |
| Charges | 18.4.1, 28, 29 and 33.2 | 2 | 25 |
| Applications | 29 | (20) | (1) |
| Closing balance | | 26 | 44 |

In 2019, as a consequence of the discontinuation of the activity at the Litoral thermal power plant (Almería) an impairment of non-current financial assets amounting to Euros 21 million was recognised in respect of the advance granted by ENDESA Generación, S.A.U. to the Port Authority of Almeria in the framework of its concession contract for the Port of Carboneras.

18.1.2. Financial assets at fair value with changes through profit and loss.

At 31 December 2020 and 2019, this category included equity instruments that corresponded to interests in other companies amounting to Euros 6 million and Euros 5 million, respectively.

The individual amounts of the investments recognised under this heading are not significant.

18.1.3. Commitments in respect of financial instruments (assets)

At 31 December 2020, ENDESA had not entered into any agreements that included commitments to make financial investments of a significant amount.

18.2. Classification of non-current and current financial instruments (liabilities)

At 31 December 2020 and 2019, the classification of financial instruments (liabilities) in the Consolidated Statement of Financial Position by category is as follows:

Millions of euros

| | Notes | 31 December 2020 | | 31 December 2019 | |
|--|-----------------|------------------|--------------|------------------|--------------|
| | | Non-current | Current | Non-current | Current |
| Financial liabilities measured at amortised cost | 18.2.1 | 6,512 | 6,695 | 6,265 | 6,541 |
| Borrowings | 17.1 | 5,881 | 1,372 | 5,612 | 954 |
| Other liabilities | | 631 | - | 653 | - |
| Trade Payables and Other Current Liabilities | 22 | - | 5,323 | - | 5,587 |
| Financial liabilities at fair value with changes through profit or loss | | 36 | 209 | 28 | 283 |
| Financial Debt ⁽¹⁾ | 17.1 and 18.6.3 | 20 | - | 20 | - |
| Derivatives not designated as hedging instruments | 18.3 | 16 | 209 | 8 | 283 |
| Hedging derivatives | 18.3 | 220 | 195 | 37 | 179 |
| TOTAL | | 6,768 | 7,099 | 6,330 | 7,003 |

(1) Corresponds in its entirety to financial liabilities that, from the start of the transaction, are underlyings of fair value hedges and are measured at fair value with changes through profit and loss.

18.2.1. Financial liabilities at amortised cost.

At 31 December 2020 and 2019, the details of financial liabilities at amortised cost, by nature, is as follows:

Millions of euros

| | Notes | 31 December 2020 | | 31 December 2019 | |
|--|-------|------------------|--------------|------------------|--------------|
| | | Non-current | Current | Non-current | Current |
| Bonds and other negotiable securities | 17.1 | - | 1,162 | - | 796 |
| Bank Borrowings | 17.1 | 2,124 | 101 | 1,943 | 65 |
| Other financial liabilities | 17.1 | 3,757 | 109 | 3,669 | 93 |
| Trade Payables and Other Current Liabilities | 22 | - | 5,323 | - | 5,587 |
| Other liabilities | 20 | 631 | - | 653 | - |
| TOTAL | | 6,512 | 6,695 | 6,265 | 6,541 |

18.3. Derivative financial instruments

Applying the risk management policy described in Note 19, ENDESA mainly uses interest rate, foreign currency and physical transaction hedging derivatives.

ENDESA does not present information on embedded derivatives separately, as the economic characteristics and risks incidental to these derivatives relate closely to the host contracts.

Details of the valuation of derivative financial instruments at 31 December 2020 and 2019 are as follows:

Millions of euros

| | 31 December 2020 | | | |
|---|------------------|---------|-------------|---------|
| | Assets | | Liabilities | |
| | Non-current | Current | Non-current | Current |
| Debt derivatives | 7 | - | 36 | - |
| Interest rate hedges | 7 | - | 34 | - |
| Cash flow hedges | - | - | 34 | - |
| Fair value hedges | 7 | - | - | - |
| Derivatives not designated as hedging instruments | - | - | 2 | - |
| Physical Derivatives | 162 | 466 | 199 | 399 |
| Foreign currency hedges | - | 5 | 71 | 70 |
| Cash flow hedges | - | 5 | 71 | 70 |
| Price hedges | 141 | 162 | 114 | 121 |
| Cash flow hedges | 141 | 162 | 114 | 121 |
| Derivatives not designated as hedging instruments | 21 | 299 | 14 | 208 |
| Other derivatives | - | 1 | 1 | 5 |
| TOTAL | 169 | 467 | 236 | 404 |

Millions of euros

| | 31 December 2019 | | | |
|---|------------------|---------|-------------|---------|
| | Assets | | Liabilities | |
| | Non-current | Current | Non-current | Current |
| Debt derivatives | 7 | - | 20 | 1 |
| Interest rate hedges | 7 | - | 17 | - |
| Cash flow hedges | - | - | 17 | - |
| Fair value hedges | 7 | - | - | - |
| Derivatives not designated as hedging instruments | - | - | 3 | 1 |
| Physical Derivatives | 89 | 563 | 25 | 460 |
| Foreign currency hedges | 18 | 55 | 1 | 5 |
| Cash flow hedges | 18 | 55 | 1 | 5 |
| Price hedges | 62 | 108 | 19 | 173 |
| Cash flow hedges | 62 | 108 | 19 | 173 |
| Derivatives not designated as hedging instruments | 9 | 400 | 5 | 282 |
| Other derivatives | - | - | - | 1 |
| TOTAL | 96 | 563 | 45 | 462 |

The breakdown of derivatives contracted, their fair values and maturities at 31 December 2020 and 2019 is as follows:

Millions of euros

| Derivatives | Fair value | 31 December 2020 | | | | | | |
|--|------------|------------------|-------|------|------|------|------------|--------|
| | | Notional | | | | | | Total |
| | | 2021 | 2022 | 2023 | 2024 | 2025 | Subsequent | |
| FINANCIAL DERIVATIVES | (29) | - | 28 | - | - | - | 847 | 875 |
| Interest rate hedges | (27) | - | - | - | - | - | 847 | 847 |
| Cash flow hedges | (34) | - | - | - | - | - | 835 | 835 |
| Swaps | (34) | - | - | - | - | - | 835 | 835 |
| Fair value hedges | 7 | - | - | - | - | - | 12 | 12 |
| Swaps | 7 | - | - | - | - | - | 12 | 12 |
| Derivatives not designated as hedging instruments | (2) | - | 28 | - | - | - | - | 28 |
| Swaps | (2) | - | 28 | - | - | - | - | 28 |
| PHYSICAL DERIVATIVES | 25 | 5,889 | 2,724 | 380 | 89 | 57 | 266 | 9,405 |
| Exchange rate | (158) | 1,840 | 1,083 | 22 | - | - | - | 2,945 |
| Designated as hedges | (141) | 1,201 | 1,021 | 15 | - | - | - | 2,237 |
| Futures | (141) | 1,201 | 1,021 | 15 | - | - | - | 2,237 |
| Not designated as hedges | (17) | 639 | 62 | 7 | - | - | - | 708 |
| Futures | (17) | 639 | 62 | 7 | - | - | - | 708 |
| Price | 183 | 4,049 | 1,641 | 358 | 89 | 57 | 266 | 6,460 |
| Designated as hedges | 68 | 1,710 | 1,495 | 305 | 72 | 57 | 264 | 3,903 |
| Swaps | 68 | 1,710 | 1,425 | 305 | 72 | 57 | 264 | 3,833 |
| Others | - | - | 70 | - | - | - | - | 70 |
| Not designated as fuel hedges | 100 | 1,647 | 101 | 25 | - | - | - | 1,773 |
| Swaps | 106 | 1,565 | 92 | 25 | - | - | - | 1,682 |
| Others | (6) | 82 | 9 | - | - | - | - | 91 |
| Not designated as electricity hedges | 15 | 692 | 45 | 28 | 17 | - | 2 | 784 |
| Swaps | 13 | 692 | 44 | 28 | 17 | - | 1 | 782 |
| Others | 2 | - | 1 | - | - | - | 1 | 2 |
| TOTAL | (4) | 5,889 | 2,752 | 380 | 89 | 57 | 1,113 | 10,280 |

Millions of euros

| Derivatives | 31 December 2019 | | | | | | | |
|--|------------------|--------------|--------------|-----------|-----------|-----------|------------|--------------|
| | Fair value | Notional | | | | | | Total |
| | | 2020 | 2021 | 2022 | 2023 | 2024 | Subsequent | |
| FINANCIAL DERIVATIVES | (14) | 34 | - | 31 | - | - | 847 | 912 |
| Interest rate hedges | (10) | - | - | - | - | - | 847 | 847 |
| Cash flow hedges | (17) | - | - | - | - | - | 835 | 835 |
| Swaps | (17) | - | - | - | - | - | 835 | 835 |
| Fair value hedges | 7 | - | - | - | - | - | 12 | 12 |
| Swaps | 7 | - | - | - | - | - | 12 | 12 |
| Derivatives not designated as hedging instruments | (4) | 34 | - | 31 | - | - | - | 65 |
| Swaps | (4) | 34 | - | 31 | - | - | - | 65 |
| PHYSICAL DERIVATIVES | 166 | 6,065 | 1,577 | 29 | 26 | 16 | 2 | 7,715 |
| Exchange rate | 65 | 1,589 | 615 | 2 | - | - | - | 2,206 |
| Designated as hedges | 66 | 1,283 | 614 | 2 | - | - | - | 1,899 |
| Futures | 66 | 1,283 | 614 | 2 | - | - | - | 1,899 |
| Not designated as hedges | (1) | 306 | 1 | - | - | - | - | 307 |
| Futures | (1) | 306 | 1 | - | - | - | - | 307 |
| Price | 101 | 4,476 | 962 | 27 | 26 | 16 | 2 | 5,509 |
| Designated as hedges | (22) | 1,754 | 833 | 9 | 9 | - | - | 2,605 |
| Swaps | (22) | 1,754 | 833 | 7 | 9 | - | - | 2,603 |
| Others | - | - | - | 2 | - | - | - | 2 |
| Not designated as fuel hedges | 120 | 2,072 | 64 | - | - | - | - | 2,136 |
| Swaps | 125 | 1,899 | 64 | - | - | - | - | 1,963 |
| Others | (5) | 173 | - | - | - | - | - | 173 |
| Not designated as electricity hedges | 3 | 650 | 65 | 18 | 17 | 16 | 2 | 768 |
| Swaps | 4 | 636 | 64 | 18 | 16 | 16 | - | 750 |
| Others | (1) | 14 | 1 | - | 1 | - | 2 | 18 |
| TOTAL | 152 | 6,099 | 1,577 | 60 | 26 | 16 | 849 | 8,627 |

The notional and/or contractual amounts of the contracts entered into do not reflect the actual risk undertaken by ENDESA, since these amounts only constitute the basis on which the derivative settlement calculations were made.

The amounts recognised in the Consolidated Income Statement in 2020 and 2019 in relation to the derivatives and hedged items of fair value hedges are as follows:

Millions of euros

| | 2020 | | 2019 | |
|-----------------|----------|----------|----------|----------|
| | Income | Expenses | Income | Expenses |
| Hedged items | - | - | 1 | 1 |
| Derivatives (1) | - | - | 1 | 1 |
| TOTAL | - | - | 2 | 2 |

(1) Without settlements.

During 2020 derivatives initially designated as cash flow hedges were discontinued for an amount of Euros 3 million as income (Euros 19 million as expense in 2019).

In the current context, at 31 December 2020, ENDESA has checked to make sure that they continue to meet the criteria established by the regulations for applying hedge accounting (see Notes 2.2.1 and 38).

18.4. Net gains and losses on non-current and current financial assets and liabilities by category

18.4.1. Net gains and losses on financial assets by category.

The net gains and losses on financial assets by categories at 31 December 2019 and 2019 are as follows:

Millions of euros

| | 2020 | | | | TOTAL |
|---|---|---|--|---------------------|-----------|
| | Financial assets measured at amortised cost | Financial assets at fair value with changes through profit and loss | Financial assets at fair value with changes through Other Comprehensive Income | Hedging derivatives | |
| Gains/(losses) in the Consolidated Income Statement | (102) (1) | 542 (2) | - | (237) | 203 |
| Gains/(losses) recognised in Other Comprehensive Income | - | - | - | (193) | (193) |
| TOTAL | (102) | 542 | - | (430) | 10 |

(1) Corresponds to net impairment losses on accounts receivable (see Notes 12.1, 18.1.1, 28, 29 and 33.2).

(2) Corresponds to income from variation of derivatives of energy materials and income from derivatives at fair value with changes in profit and loss (see Notes 24.2 and 29).

Millions of euros

| | 2019 | | | | TOTAL |
|---|---|---|--|---------------------|------------|
| | Financial assets measured at amortised cost | Financial assets at fair value with changes through profit and loss | Financial assets at fair value with changes through Other Comprehensive Income | Hedging derivatives | |
| Gains/(losses) in the Consolidated Income Statement | (152) ⁽¹⁾ | 551 ⁽²⁾ | - | (34) | 365 |
| Gains/(losses) recognised in Other Comprehensive Income | - | - | - | 171 | 171 |
| TOTAL | (152) | 551 | - | 137 | 536 |

(1) Corresponds to net impairment losses on accounts receivable (see Notes 12.1, 18.1.1, 28, 29 and 33.2).

(2) Corresponds to income from variation of derivatives of energy materials and income from derivatives at fair value with changes in profit and loss (see Notes 24.2 and 29).

18.4.2. Net gains and losses on financial liabilities by category.

The net gains and losses on financial liabilities by categories in 2020 and 2019 were as follows:

Millions of euros

| | 2020 | | | TOTAL |
|---|--|---|---------------------|--------------|
| | Financial liabilities measured at amortised cost | Financial liabilities at fair value with changes through profit or loss | Hedging derivatives | |
| Gains/(losses) in the Consolidated Income Statement | (137) ⁽¹⁾ | (296) ⁽²⁾ | (7) ⁽³⁾ | (440) |
| Gains/(losses) recognised in Other Comprehensive Income | - | - | - | - |
| TOTAL | (137) | (296) | (7) | (440) |

(1) Corresponds to financial expenses in respect of debt (see Note 29).

(2) Corresponds to expenses for variation of energy material derivatives (see Note 25.3).

(3) Corresponds to cash flow hedging expenses (see Note 29).

Millions of euros

| | 2019 | | | TOTAL |
|---|--|---|---------------------|--------------|
| | Financial liabilities measured at amortised cost | Financial liabilities at fair value with changes through profit or loss | Hedging derivatives | |
| Gains/(losses) in the Consolidated Income Statement | (133) ⁽¹⁾ | (654) ⁽²⁾ | (10) ⁽³⁾ | (797) |
| Gains/(losses) recognised in Other Comprehensive Income | - | - | - | - |
| TOTAL | (133) | (654) | (10) | (797) |

(1) Corresponds to financial expenses in respect of debt (see Note 29).

(2) Corresponds to expenses for variation of energy material derivatives (see Note 25.3).

(3) Corresponds to cash flow hedging expenses (see Note 29).

18.5. Offsetting of non-current and current financial assets and liabilities

The details of non-current and current financial assets and liabilities set off at 31 December 2020 and 2019 are as follows:

Millions of euros

| | Notes | Gross amount of financial assets | Amount set off | 31 December 2020 | | Net amount | |
|--|-------|----------------------------------|----------------|--|---|------------|----------------------|
| | | | | Net amount of financial assets presented in the financial statements | Amounts in netting arrangements not set off | | |
| | | | | | Financial instrument | | Financial guarantees |
| Non-current Financial Assets | 18.1 | 947 | - | 947 | (127) | - | 820 |
| Derivatives | 18.3 | 162 | - | 162 | (127) | - | 35 |
| Total non-current assets | | 947 | - | 947 | (127) | - | 820 |
| Trade and other receivables ⁽¹⁾ | 12 | 3,039 | - | 3,039 | (458) | - | 2,581 |
| Trade receivables for sales and services | | 2,556 | - | 2,556 | (165) | - | 2,391 |
| Non-financial Derivatives | 18.3 | 467 | - | 467 | (293) | - | 174 |
| Current financial assets | 18.1 | 1,177 | - | 1,177 | - | - | 1,177 |
| Other financial assets | | 40 | - | 40 | - | - | 40 |
| Total current assets | | 4,216 | - | 4,216 | (458) | - | 3,758 |

(1) Does not include balances with Public Administrations.

Millions of euros

| 31 December 2019 | | | | | | | |
|--|----------------------------------|----------------|--|---|----------------------|-------------|--------------|
| Notes | Gross amount of financial assets | Amount set off | Net amount of financial assets presented in the financial statements | Amounts in netting arrangements not set off | | Net amount | |
| | | | | Financial instrument | Financial guarantees | | |
| Non-current Financial Assets | 18.1 | 908 | - | 908 | (24) | - | 884 |
| Derivatives | 18.3 | 89 | - | 89 | (24) | - | 65 |
| Total non-current assets | | 908 | - | 908 | (24) | - | 884 |
| Trade and other receivables ⁽¹⁾ | 12 | 3,046 | - | 3,046 | (499) | - | 2,547 |
| Trade receivables for sales and services | | 2,479 | - | 2,479 | (119) | - | 2,360 |
| Non-financial Derivatives | 18.3 | 563 | - | 563 | (380) | - | 183 |
| Current financial assets | 18.1 | 1,215 | - | 1,215 | - | (40) | 1,175 |
| Other financial assets | | 88 | - | 88 | - | (40) | 48 |
| Total current assets | | 4,261 | - | 4,261 | (499) | (40) | 3,722 |

(1) Does not include balances with Public Administrations.

Millions of euros

| 31 December 2020 | | | | | | | |
|---|---------------------------------------|----------------|---|---|----------------------|-------------|--------------|
| Notes | Gross amount of financial liabilities | Amount set off | Net amount of financial liabilities presented in the financial statements | Amounts in netting arrangements not set off | | Net amount | |
| | | | | Financial instrument | Financial guarantees | | |
| Non-current Financial Debt | 17.1 | 5,937 | - | 5,937 | - | - | 5,937 |
| Other financial liabilities | | 3,757 | - | 3,757 | - | - | 3,757 |
| Other non-current Liabilities | 20 | 831 | - | 831 | (123) | - | 708 |
| Non-current derivatives | 18.3 | 200 | - | 200 | (123) | - | 77 |
| Total non-current liabilities | | 6,768 | - | 6,768 | (123) | - | 6,645 |
| Trade payables and other current liabilities ⁽¹⁾ | 22 | 5,727 | - | 5,727 | (452) | - | 5,275 |
| Suppliers and other payables | | 3,739 | - | 3,739 | (165) | - | 3,574 |
| Non-financial Derivatives | 18.3 | 404 | - | 404 | (287) | - | 117 |
| Current Financial Debt | 17.1 | 1,372 | - | 1,372 | - | (10) | 1,362 |
| Other Financial Debt | | 109 | - | 109 | - | (10) | 99 |
| Total current liabilities | | 7,099 | - | 7,099 | (452) | (10) | 6,637 |

(1) Does not include balances with Public Administrations.

Millions of euros

| 31 December 2019 | | | | | | | |
|---|---------------------------------------|----------------|---|---|----------------------|------------|--------------|
| Notes | Gross amount of financial liabilities | Amount set off | Net amount of financial liabilities presented in the financial statements | Amounts in netting arrangements not set off | | Net amount | |
| | | | | Financial instrument | Financial guarantees | | |
| Non-current Financial Debt | 17.1 | 5,652 | - | 5,652 | - | - | 5,652 |
| Other financial liabilities | | 3,669 | - | 3,669 | - | - | 3,669 |
| Other non-current Liabilities | 20 | 678 | - | 678 | (24) | - | 654 |
| Non-current derivatives | 18.3 | 25 | - | 25 | (24) | - | 1 |
| Total non-current liabilities | | 6,330 | - | 6,330 | (24) | - | 6,306 |
| Trade payables and other current liabilities ⁽¹⁾ | 22 | 6,048 | - | 6,048 | (538) | - | 5,510 |
| Suppliers and other payables | | 3,884 | - | 3,884 | (119) | - | 3,765 |
| Non-financial Derivatives | 18.3 | 461 | - | 461 | (419) | - | 42 |
| Current Financial Debt | 17.1 | 955 | - | 955 | - | - | 955 |
| Total current liabilities | | 7,003 | - | 7,003 | (538) | - | 6,465 |

(1) Does not include balances with Public Administrations.

18.6. Fair value measurement.

18.6.1. Fair value measurement of categories of financial assets.

The classification of financial assets measured at fair value in the Consolidated Statements of Financial Position by fair value hierarchy at 31 December 2020 and 31 December 2019 was as follows:

Millions of euros

| | Notes | 31 December 2020 | | | |
|---|-------------------|------------------|-----------|------------|-----------|
| | | Fair value | Level 1 | Level 2 | Level 3 |
| Equity instruments | 18.1 | 6 | - | - | 6 |
| Debt derivatives | 18.3 | 7 | - | 7 | - |
| Interest rate hedges | 18.1 | 7 | - | 7 | - |
| Fair value hedges | | 7 | - | 7 | - |
| Physical Derivatives | 18.3 | 162 | 10 | 106 | 46 |
| Foreign currency hedges | | - | - | - | - |
| Cash flow hedges | | - | - | - | - |
| Price hedges | 18.1 | 141 | 6 | 91 | 44 |
| Cash flow hedges | | 141 | 6 | 91 | 44 |
| Derivatives not designated as hedging instruments | 18.1 | 21 | 4 | 15 | 2 |
| Total non-current assets | | 175 | 10 | 113 | 52 |
| Physical Derivatives | 12 and 18.3 | 466 | 65 | 386 | 15 |
| Foreign currency hedges | 18.1 | 5 | - | 5 | - |
| Cash flow hedges | | 5 | - | 5 | - |
| Price hedges | 18.1 | 162 | 38 | 109 | 15 |
| Cash flow hedges | | 162 | 38 | 109 | 15 |
| Derivatives not designated as hedging instruments | 18.1 | 299 | 27 | 272 | - |
| Other derivatives | 12, 18.1 and 18.3 | 1 | - | 1 | - |
| Inventories | | 2 | 1 | 1 | - |
| Total current assets | | 469 | 66 | 388 | 15 |

Millions of euros

| | Notes | 31 December 2019 | | | |
|---|-------|------------------|-----------|------------|----------|
| | | Fair value | Level 1 | Level 2 | Level 3 |
| Equity instruments | 18.1 | 5 | - | - | 5 |
| Debt derivatives | | 7 | - | 7 | - |
| Interest rate hedges | 18.3 | 7 | - | 7 | - |
| Fair value hedges | | 7 | - | 7 | - |
| Physical Derivatives | 18.3 | 89 | 4 | 85 | - |
| Foreign currency hedges | | 18 | - | 18 | - |
| Cash flow hedges | | 18 | - | 18 | - |
| Price hedges | | 62 | - | 62 | - |
| Cash flow hedges | | 62 | - | 62 | - |
| Derivatives not designated as hedging instruments | 18.1 | 9 | 4 | 5 | - |
| Total non-current assets | | 101 | 4 | 92 | 5 |
| Physical Derivatives | 12 | 563 | 39 | 524 | - |
| Foreign currency hedges | | 55 | - | 55 | - |
| Cash flow hedges | | 55 | - | 55 | - |
| Price hedges | | 108 | 11 | 97 | - |
| Cash flow hedges | | 108 | 11 | 97 | - |
| Derivatives not designated as hedging instruments | 18.1 | 400 | 28 | 372 | - |
| Other derivatives | 12 | - | - | - | - |
| Inventories | | 3 | 2 | 1 | - |
| Total current assets | | 566 | 41 | 525 | - |

There were no hierarchy level transfers among these financial assets in 2020 and 2019.

In the current context, ENDESA has continued to use the same valuation standards to determine fair value (see Notes 2.2.1, 3g.5, 3p and 38).

18.6.2. Fair value measurement of categories of assets not measured at fair value

The classification of financial assets measured at fair value in the Consolidated Statements of Financial Position by fair value hierarchy at 31 December 2020 and 31 December 2019 was as follows:

Millions of euros

| | Notes | 31 December 2020 | | | | 31 December 2019 | | | |
|---------------------|------------|------------------|---------|---------|---------|------------------|---------|---------|---------|
| | | Fair value | Level 1 | Level 2 | Level 3 | Fair value | Level 1 | Level 2 | Level 3 |
| Investment Property | 3b and 7.1 | 60 | - | - | 60 | 68 | - | - | 68 |

18.6.3. Fair value measurement of categories of financial liabilities.

The classifications of non-current and current financial liabilities measured at fair value in the Consolidated Statement of Financial Position by fair value hierarchy level at 31 December 2020 and 2019 are as follows:

Millions of euros

| | Notes | 31 December 2020 | | | |
|---|-------------------|------------------|-----------|------------|-----------|
| | | Fair value | Level 1 | Level 2 | Level 3 |
| Bonds and other negotiable securities | 18.2 | 20 | - | 20 | - |
| Debt derivatives | 17.1 and 18.3 | 36 | - | 36 | - |
| Interest rate hedges | 18.2 | 34 | - | 34 | - |
| Cash flow hedges | | 34 | - | 34 | - |
| Derivatives not designated as hedging instruments | 18.2 | 2 | - | 2 | - |
| Physical Derivatives | 18.3 and 20 | 199 | 4 | 152 | 43 |
| Foreign currency hedges | 18.2 | 71 | - | 71 | - |
| Cash flow hedges | | 71 | - | 71 | - |
| Price hedges | 18.2 | 114 | 1 | 70 | 43 |
| Cash flow hedges | | 114 | 1 | 70 | 43 |
| Derivatives not designated as hedging instruments | 18.2 | 14 | 3 | 11 | - |
| Other Derivatives | 18.2, 18.3 and 20 | 1 | - | 1 | - |
| Total non-current liabilities | | 256 | 4 | 209 | 43 |
| Debt derivatives | | - | - | - | - |
| Derivatives not designated as hedging instruments | | - | - | - | - |
| Physical Derivatives | 22 | 399 | 38 | 359 | 2 |
| Foreign currency hedges | 18.2 | 70 | - | 70 | - |
| Cash flow hedges | | 70 | - | 70 | - |
| Price hedges | 18.2 | 121 | 10 | 109 | 2 |
| Cash flow hedges | | 121 | 10 | 109 | 2 |
| Derivatives not designated as hedging instruments | 18.2 | 208 | 28 | 180 | - |
| Other Derivatives | 18.2 and 22 | 5 | - | 5 | - |
| Total current liabilities | 18.3 | 404 | 38 | 364 | 2 |

Millions of euros

| | Notes | 31 December 2019 | | | |
|---|---------------|------------------|-----------|------------|---------|
| | | Fair value | Level 1 | Level 2 | Level 3 |
| Bonds and other negotiable securities | 18.2 | 20 | - | 20 | - |
| Debt derivatives | 17.1 and 18.3 | 20 | - | 20 | - |
| Interest rate hedges | | 17 | - | 17 | - |
| Cash flow hedges | | 17 | - | 17 | - |
| Derivatives not designated as hedging instruments | | 3 | - | 3 | - |
| Physical Derivatives | 18.3 | 25 | 2 | 23 | - |
| Foreign currency hedges | | 1 | - | 1 | - |
| Cash flow hedges | | 1 | - | 1 | - |
| Price hedges | | 19 | - | 19 | - |
| Cash flow hedges | | 19 | - | 19 | - |
| Derivatives not designated as hedging instruments | | 5 | 2 | 3 | - |
| Total non-current liabilities | | 65 | 2 | 63 | - |
| Debt derivatives | | 1 | - | 1 | - |
| Derivatives not designated as hedging instruments | 18.2 | 1 | - | 1 | - |
| Physical Derivatives | 18.3 and 22 | 460 | 71 | 389 | - |
| Foreign currency hedges | | 5 | - | 5 | - |
| Cash flow hedges | | 5 | - | 5 | - |
| Price hedges | | 173 | 32 | 141 | - |
| Cash flow hedges | | 173 | 32 | 141 | - |
| Derivatives not designated as hedging instruments | | 282 | 39 | 243 | - |
| Other Derivatives | | 1 | - | 1 | - |
| Total current liabilities | | 462 | 71 | 391 | - |

There were no hierarchy level transfers among these financial liabilities in 2020 and 2019.

18.6.4. Fair value measurement of categories of financial liabilities not measured at fair value

The non-current and current financial liabilities not measured at fair value in the Consolidated Statement of Financial Position, but disclosed in the notes to these Consolidated Financial Statements by fair value hierarchy level at 31 December 2020 and 2019 are as follows:

Millions of euros

| | 31 December 2020 | | | |
|---------------------------------------|------------------|---------|--------------|---------|
| | Fair value | Level 1 | Level 2 | Level 3 |
| Bank Borrowings | 2,151 | - | 2,151 | - |
| Floating interest rate | 2,151 | - | 2,151 | - |
| Other financial liabilities | 4,102 | - | 4,102 | - |
| Fixed interest rate | 4,091 | - | 4,091 | - |
| Floating interest rate | 11 | - | 11 | - |
| Total non-current liabilities | 6,253 | - | 6,253 | - |
| Bank Borrowings | 137 | - | 137 | - |
| Floating interest rate | 137 | - | 137 | - |
| Bonds and other negotiable securities | 1,162 | - | 1,162 | - |
| Floating interest rate | 1,162 | - | 1,162 | - |
| Other financial liabilities | 203 | - | 203 | - |
| Fixed interest rate | 158 | - | 158 | - |
| Floating interest rate | 45 | - | 45 | - |
| Total current liabilities | 1,502 | - | 1,502 | - |

Millions of euros

| | 31 December 2019 | | | |
|---------------------------------------|------------------|---------|--------------|---------|
| | Fair value | Level 1 | Level 2 | Level 3 |
| Bank Borrowings | 2,078 | - | 2,078 | - |
| Floating interest rate | 2,078 | - | 2,078 | - |
| Other financial liabilities | 4,064 | - | 4,064 | - |
| Fixed interest rate | 4,047 | - | 4,047 | - |
| Floating interest rate | 17 | - | 17 | - |
| Total non-current liabilities | 6,142 | - | 6,142 | - |
| Bank Borrowings | 68 | - | 68 | - |
| Floating interest rate | 68 | - | 68 | - |
| Bonds and other negotiable securities | 796 | - | 796 | - |
| Floating interest rate | 796 | - | 796 | - |
| Other financial liabilities | 187 | - | 187 | - |
| Fixed interest rate | 159 | - | 159 | - |
| Floating interest rate | 28 | - | 28 | - |
| Total current liabilities | 1,051 | - | 1,051 | - |

18.6.5. Other matters.

During 2020 and 2019, movements of derivative financial instruments valued at Level 3 fair value were as follows:

| Millions of euros | 2020 | 2019 |
|---|-----------|------|
| Opening balance | - | - |
| Gains/(losses) in the Consolidated Income Statement | 2 | - |
| Gains/(losses) recognised in Other Comprehensive Income | 14 | - |
| Closing balance | 16 | - |

The fair value of the derivative financial instruments classified in Level 3 has been determined by applying the discounted cash flow method. The calculation of these cash flow projections is based on available market information, supplemented, if necessary, with estimates resulting from fundamental models that represent the functioning of these markets.

At 31 December 2020, none of the possible foreseeable scenarios of the hypotheses indicated would result in a significant change in the fair value of financial instruments classified at this Level.

19. Risk management and control General policy

The activity of ENDESA, S.A and its subsidiary companies (ENDESA) is performed in an environment with various external factors that could affect its transactions and financial performance, thus requiring that exposure to such factors be managed and controlled.

The Risk Management and Control General Policy establishes the basic principles and the general framework of management and control of risks of all kinds that might affect the attainment of its objectives, ensuring that

they are systematically identified, analysed, evaluated, managed and controlled within the established levels of risk. The Risk Management and Control General Policy identifies the various different types of risk, financial and non-financial, (inter alia, operational, technological, legal, social, environmental, political and reputational, including those related to corruption) that the company is exposed to, including among financial or economic risks, contingent liabilities and other off-balance sheet risks.

The Risk Management and Control General Policy seeks to guide and steer the set of strategic, organisational and operational actions that allow the Board of Directors of ENDESA S.A. to precisely delineate the acceptable level of risk, so that the managers, staff and service functions of the various Business Lines can maximise the profitability of the Company, preserve or increase its equity and ensure a given degree of achievement, preventing uncertain and future events from having a negative influence on the achievement of the company's profitability objectives, its operations, sustainability, resilience or reputation in a sustained manner over time, providing an adequate level of guarantees to shareholders and safeguarding their interests, as well as those of customers and other stakeholders.

The principles of ENDESA's Risk Control and Management General Policy, aimed at controlling and mitigating the possible risks identified, are as follows:

- Existence of a regulatory system, people, means and systems to develop a continuous process of identification, quantification, mitigation and reporting of all significant risks affecting the Company.
- Ensuring appropriate segregation of functions, and coordination mechanisms between the various areas and risk control systems.
- The risks must be consistent with the strategy, objectives and core values of ENDESA, S.A., ensuring the appropriateness of the risk levels to the objectives and limits set by the Board of Directors.
- Optimisation of risk control and management from a consolidated point of view, which is to be given priority over individual management of each risk.
- Continuous assessment of hedging, transfer and mitigation mechanisms to ensure their suitability and the adoption of best market practices.
- Ongoing study of the laws, rules and regulations in force, including on taxation, to ensure that transactions are carried out in accordance with the rules governing the activity.
- Respect for and compliance with internal regulations, with a special focus on Regulatory Compliance, Corporate Governance and the provisions for the Prevention of Criminal Risks and Anti-bribery, particularly the Code of Ethics and the Zero Tolerance Plan for Corruption.
- Safety is the number one value at ENDESA and the health and safety of the people working in and for ENDESA, S.A. must be safeguarded in all its activities.
- Commitment to sustainable development, efficiency and respect for the environment and Human Rights.
- Responsible optimisation of the use of available resources with a view to providing profits to our shareholders in the context of relationships based on the principles of fairness and transparency.

The Risk Management and Control General Policy is developed and supplemented by other specific risk policies of the Business Lines, staff and service functions, as well as by the limits established for optimal risk management in each of them.

The Internal Control and Risk Management System conforms to a model based on the one hand on an ongoing study of the risk profile, applying current best practices in the energy or benchmark sectors as regards risk management, homogeneous measurement criteria within the same type of risk, segregation of risk managers and controllers, and, on the other hand, on ensuring a link between the risk assumed and the resources needed to operate the businesses, always maintaining an appropriate balance between the risk assumed and the objectives set by the Board of Directors of ENDESA, S.A.

The risk control and management process consists in the identification, evaluation, monitoring and management over time of the various risks, and takes account of the main risks to which the Company is exposed, whether of internal or external origin. The objective of risk management is the performance of the actions aimed at keeping risk levels at optimum levels and in any case always within the established limits.

The risk management and control mechanisms are set out in the following notes.

19.1. Interest rate risk.

Interest rate fluctuations change the fair value of assets and liabilities bearing interest at fixed rates and the future flows from assets and liabilities indexed to variable interest rates.

The objective of interest rate risk management is to achieve 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.

The goal of reducing the amount of borrowings subject to interest rate fluctuations is achieved by contracting specific hedging transactions, generally by means of interest rate derivatives. In any case, the structure of these hedging contracts is adapted to that of the underlying financial instrument, and in particular their duration never exceeds the maturity of the underlying financial instrument, so that any changes in the fair value or cash flows of these contracts are offset by changes in the fair value or cash flows of the underlying position.

At 31 December 2020 and 2019, the structure of financial risk, factoring in the derivatives arranged, is as follows:

Millions of euros

| | Net position | | | |
|------------------------|--------------------|-------------------|--------------------|-------------------|
| | 31 December 2020 | | 31 December 2019 | |
| | Before derivatives | After derivatives | Before derivatives | After derivatives |
| Fixed interest rate | 4,680 | 4,716 | 4,618 | 4,639 |
| Floating interest rate | 2,190 | 2,183 | 1,745 | 1,738 |
| TOTAL | 6,870 | 6,899 | 6,363 | 6,377 |

At 31 December 2020 and 2019, the reference interest rate for the borrowings arranged by ENDESA was mainly Euribor.

The breakdown of interest-rate derivatives at 31 December 2020 and 2019 by designation is as follows:

Millions of euros

| INTEREST RATE DERIVATIVES | 31 December 2020 | | | | | |
|--|---------------------|----------------|----------------------------|--------------------|---------------------------------|-------------------------|
| | Net notional amount | Net fair value | Notional, financial assets | Assets, fair value | Notional, financial liabilities | Liabilities, fair value |
| Cash flow hedging derivatives | | | | | | |
| Interest rate swaps | 835 | (34) | - | - | 835 | (34) |
| Fair value hedging derivatives | | | | | | |
| Interest rate swaps | 12 | 7 | 12 | 7 | - | - |
| Trading derivatives | | | | | | |
| Interest rate swaps | 28 | (2) | - | - | 28 | (2) |
| Total interest rate swaps | 875 | (29) | 12 | 7 | 863 | (36) |
| TOTAL INTEREST RATE DERIVATIVES | 875 | (29) | 12 | 7 | 863 | (36) |

Millions of euros

| INTEREST RATE DERIVATIVES | 31 December 2019 | | | | | |
|--|---------------------|----------------|----------------------------|--------------------|---------------------------------|-------------------------|
| | Net notional amount | Net fair value | Notional, financial assets | Assets, fair value | Notional, financial liabilities | Liabilities, fair value |
| Cash flow hedging derivatives | | | | | | |
| Interest rate swaps | 835 | (17) | - | - | 835 | (17) |
| Fair value hedging derivatives | | | | | | |
| Interest rate swaps | 12 | 7 | 12 | 7 | - | - |
| Trading derivatives | | | | | | |
| Interest rate swaps | 65 | (4) | - | - | 65 | (4) |
| Total interest rate swaps | 912 | (14) | 12 | 7 | 900 | (21) |
| TOTAL INTEREST RATE DERIVATIVES | 912 | (14) | 12 | 7 | 900 | (21) |

The effect of hedging derivatives in the Consolidated Statement of Financial Position, in the Consolidated Income Statement and in the Consolidated Statement of Comprehensive Income was as follows:

Millions of euros

| | 31 December 2020 | | | 2020 | | |
|---|---------------------|--------------------|-------------------------|---|--|---|
| | Net notional amount | Assets, fair value | Liabilities, fair value | Carrying Amount of the Hedged Item in the Statement of Financial Position | Changes in the Fair Value of the Hedged Item | Accumulated Amount of the Adjustments to Fair Value Hedges in the Hedged Item |
| Fair value hedging derivatives | | | | | | |
| Interest rate swaps | 12 | 7 ⁽¹⁾ | - | 12 | - | 8 |
| Total fair value hedging derivatives | 12 | 7 | - | 12 | - | 8 |

(1) Included in "Non-current financial assets - Hedging Derivatives" in the Consolidated Statement of Financial Position.

Millions of euros

| | 31 December 2019 | | | 2019 | | |
|---|---------------------|--------------------|-------------------------|---|--|---|
| | Net notional amount | Assets, fair value | Liabilities, fair value | Carrying Amount of the Hedged Item in the Statement of Financial Position | Changes in the Fair Value of the Hedged Item | Accumulated Amount of the Adjustments to Fair Value Hedges in the Hedged Item |
| Fair value hedging derivatives | | | | | | |
| Interest rate swaps | 12 | 7 ⁽¹⁾ | - | 12 | 1 | 8 |
| Total fair value hedging derivatives | 12 | 7 | - | 12 | 1 | 8 |

(1) Included in "Non-current financial assets - Hedging Derivatives" in the Consolidated Statement of Financial Position.

Millions of euros

| | 31 December 2020 | | | 2020 | | | |
|--|---------------------|--------------------|-------------------------|---|---|---|---|
| | Net notional amount | Assets, fair value | Liabilities, fair value | Changes in fair value in Other Comprehensive Income | Amount reclassified from the Statement of Comprehensive Income to the Income Statement ⁽¹⁾ | Amount reclassified from the Statement of Comprehensive Income to the Income Statement ⁽²⁾ | Changes in fair value recognised in the Income Statement due to non-effectiveness |
| Cash flow hedging derivatives | | | | | | | |
| Interest rate swaps | 835 | - | (34) ⁽³⁾ | (16) | (7) ⁽⁴⁾ | - | - |
| Total cash flow hedging derivatives | 835 | - | (34) | (16) | (7) | - | - |

(1) Amount reclassified from the Income Statement because the hedged item has affected profit or loss.

(2) Amount reclassified from the Income Statement because the future cash flows are no longer expected to occur.

(3) Included in "Non-current financial assets - Derivatives" in the Consolidated Statement of Financial Position.

(4) Included under the heading "Financial Expenses - Financial Expenses on Financial Instruments" in the Consolidated Income Statement.

Millions of euros

| | 31 December 2019 | | | 2019 | | | |
|--|---------------------|--------------------|-------------------------|---|---|---|---|
| | Net notional amount | Assets, fair value | Liabilities, fair value | Changes in fair value in Other Comprehensive Income | Amount reclassified from the Statement of Comprehensive Income to the Income Statement ⁽¹⁾ | Amount reclassified from the Statement of Comprehensive Income to the Income Statement ⁽²⁾ | Changes in fair value recognised in the Income Statement due to non-effectiveness |
| Cash flow hedging derivatives | | | | | | | |
| Interest rate swaps | 835 | - | (17) ⁽³⁾ | (17) | (5) ⁽⁴⁾ | - | - |
| Total cash flow hedging derivatives | 835 | - | (17) | (17) | (5) | - | - |

(1) Amount reclassified from the Income Statement because the hedged item has affected profit or loss.

(2) Amount reclassified from the Income Statement because the future cash flows are no longer expected to occur.

(3) Included in "Non-current financial assets - Derivatives" in the Consolidated Statement of Financial Position.

(4) Included under the heading "Financial Expenses - Financial Expenses on Financial Instruments" in the Consolidated Income Statement.

At 31 December 2020 and 2019, cash flows projected for the coming years in relation to these derivatives are as follows:

Millions of euros

| Present value (net of accumulated interest) | Stratification of Expected Cash Flows | | | | | | |
|---|---------------------------------------|------|------|------|------|------|------------|
| | 31 December 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Subsequent |
| Cash flow hedging derivatives | | (34) | (8) | (7) | (6) | (5) | (4) |
| Fair value hedging derivatives | | 7 | 1 | 1 | 1 | - | - |
| Interest rate trading derivatives | | (2) | (1) | (1) | - | - | - |

Millions of euros

| Present value (net of accumulated interest) | Stratification of Expected Cash Flows | | | | | | |
|---|---------------------------------------|------|------|------|------|------|------------|
| | 31 December 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Subsequent |
| Cash flow hedging derivatives | (17) | (7) | (7) | (6) | (5) | (3) | (3) |
| Fair value hedging derivatives | 7 | 1 | 1 | 1 | - | - | 4 |
| Interest rate trading derivatives | (4) | (2) | (1) | (1) | - | - | - |

Considering effective cash flow hedges, 63% of debt is protected from interest rate risk at 31 December 2020 (69% at 31 December 2019). Considering fair value hedges too, this percentage was 63% at 31 December 2020 (69% at 31 December 2019).

Sensitivity analysis.

At 31 December 2020 and 2019, the impact of interest-rate fluctuations on the Consolidated Income Statement and Statement of Consolidated Income, other variables remaining constant, is as follows:

Millions of euros

| | Basis points change | 31 December 2020 | | 31 December 2019 | |
|--|---------------------|-------------------------------|--|-------------------------------|--|
| | | Consolidated Income Statement | Consolidated Statement of Comprehensive Income | Consolidated Income Statement | Consolidated Statement of Comprehensive Income |
| Finance costs of variable gross borrowings after derivatives | | | | | |
| Increase in interest rate | +25 | 9 | - | 7 | - |
| Interest rate reduction | -25 | (9) | - | (7) | - |
| Fair value of derivative hedging instruments | | | | | |
| Fair value | | | | | |
| Increase in interest rate | +25 | - | - | - | - |
| Interest rate reduction | -25 | - | - | - | - |
| Of Cash flows | | | | | |
| Increase in interest rate | +25 | - | 8 | - | 15 |
| Interest rate reduction | -25 | - | (5) | - | (12) |
| Fair value of derivative instruments not designated as hedging instruments | | | | | |
| Increase in interest rate | +25 | - | - | - | - |
| Interest rate reduction | -25 | - | - | - | - |

19.2. Currency risk.

Currency risks mainly relate to transactions for the purchase of energy raw materials (especially natural gas and coal) on international markets where the prices of these materials ("commodities") are normally in US dollars. Similarly, ENDESA incurs this risk in the management of debt in foreign currencies, procurements, the payment of insurance premiums, plant maintenance contracts, and dividends.

ENDESA has contracted currency swaps and forward exchange contracts to mitigate its currency risk. ENDESA also strives to balance cash collections and payments for its assets and liabilities in foreign currencies.

The structure of these contracts is adapted to that of the underlying financial instruments, and in particular the term of the contracts never exceeds the maturity of the underlying financial instrument, so that any changes in the fair value or cash flows of these contracts are offset by changes in the fair value or cash flows of the underlying position.

The breakdown of exchange rate derivatives by notional amount and fair value at 31 December 2020 and 2019 is as follows:

Millions of euros

| EXCHANGE RATE DERIVATIVES | 31 December 2020 | | | | | |
|--|---------------------|----------------|----------------------------|--------------------|---------------------------------|-------------------------|
| | Net notional amount | Net fair value | Notional, financial assets | Assets, fair value | Notional, financial liabilities | Liabilities, fair value |
| Cash flow hedging derivatives | | | | | | |
| Futures | 2,237 | (141) | 159 | 5 | 2,078 | (146) |
| Trading derivatives | | | | | | |
| Futures | 708 | (17) | 370 | 16 | 338 | (33) |
| Total futures | 2,945 | (158) | 529 | 21 | 2,416 | (179) |
| TOTAL EXCHANGE RATE DERIVATIVES | 2,945 | (158) | 529 | 21 | 2,416 | (179) |

Millions of euros

| EXCHANGE RATE DERIVATIVES | 31 December 2019 | | | | | |
|--|---------------------|----------------|----------------------------|--------------------|---------------------------------|-------------------------|
| | Net notional amount | Net fair value | Notional, financial assets | Assets, fair value | Notional, financial liabilities | Liabilities, fair value |
| Cash flow hedging derivatives | | | | | | |
| Futures | 1,899 | 66 | 1,514 | 73 | 385 | (7) |
| Trading derivatives | | | | | | |
| Futures | 307 | (1) | 153 | 4 | 154 | (5) |
| Total futures | 2,206 | 65 | 1,667 | 77 | 539 | (12) |
| TOTAL EXCHANGE RATE DERIVATIVES | 2,206 | 65 | 1,667 | 77 | 539 | (12) |

The effect of hedging derivatives in the Consolidated Statement of Financial Position, in the Consolidated Income Statement and in the Consolidated Statement of Comprehensive Income was as follows:

Millions of euros

| | 31 December 2020 | | | | 2020 | | |
|--|---------------------|--------------------|-------------------------|---|---|---|---|
| | Net notional amount | Assets, fair value | Liabilities, fair value | Changes in fair value in Other Comprehensive Income | Amount reclassified from the Statement of Comprehensive Income to the Income Statement ⁽¹⁾ | Amount reclassified from the Statement of Comprehensive Income to the Income Statement ⁽²⁾ | Changes in fair value recognised in the Income Statement due to non-effectiveness |
| Cash flow hedging derivatives | | | | | | | |
| Futures | 2,237 | 5 ⁽³⁾ | (146) ⁽⁴⁾ | (222) | 41 ⁽⁵⁾ | 12 ⁽⁵⁾ | - |
| Total cash flow hedging derivatives | 2,237 | 5 | (146) | (222) | 41 | 12 | - |

(1) Amount reclassified from the Income Statement because the hedged item affected income.

(2) Amount reclassified from the Income Statement because the future cash flows are no longer expected to occur.

(3) Included under the headings "Trade and Other Receivables - Hedging Derivatives" and "Non-Current Financial Assets - Hedging Derivatives" in the Consolidated Statement of Financial Position.

(4) Included in the headings "Trade and Other Payables - Hedging Derivatives" and "Other Non-Current Liabilities - Hedging Derivatives" in the Consolidated Statement of Financial Position.

(5) Included in "Income" and "Procurements and services" in the Consolidated Income Statement.

Millions of euros

| | 31 December 2019 | | | | 2019 | | |
|--|---------------------|--------------------|-------------------------|---|---|---|---|
| | Net notional amount | Assets, fair value | Liabilities, fair value | Changes in fair value in Other Comprehensive Income | Amount reclassified from the Statement of Comprehensive Income to the Income Statement ⁽¹⁾ | Amount reclassified from the Statement of Comprehensive Income to the Income Statement ⁽²⁾ | Changes in fair value recognised in the Income Statement due to non-effectiveness |
| Cash flow hedging derivatives | | | | | | | |
| Futures | 1,899 | 73 ⁽³⁾ | (7) ⁽⁴⁾ | 11 | 70 ⁽⁵⁾ | 1 ⁽⁵⁾ | - |
| Total cash flow hedging derivatives | 1,899 | 73 | (7) | 11 | 70 | 1 | - |

(1) Amount reclassified from the Income Statement because the hedged item affected income.

(2) Amount reclassified from the Income Statement because the future cash flows are no longer expected to occur.

(3) Included in "Trade and other receivables - Non-financial derivatives" in the Consolidated Statement of Financial Position.

(4) Included in "Other non-current liabilities - Non-financial derivatives" in the Consolidated Statement of Financial Position.

(5) Included in "Procurements and services" in the Consolidated Income Statement.

At 31 December 2020 and 2019, cash flows projected for the coming years in relation to these derivatives are as follows:

Millions of euros

| Present value (net of accumulated interest) | Stratification of Expected Cash Flows | | | | | | |
|---|---------------------------------------|------|------|------|------|------|------------|
| | 31 December 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Subsequent |
| Cash flow hedging derivatives | (141) | (69) | (71) | (1) | - | - | - |
| Exchange rate derivatives - trading | (17) | (17) | (1) | 1 | - | - | - |

Millions of euros

| Present value (net of accumulated interest) | Stratification of Expected Cash Flows | | | | | | |
|---|---------------------------------------|------|------|------|------|------|------------|
| | 31 December 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Subsequent |
| Cash flow hedging derivatives | 66 | 47 | 18 | - | - | - | - |
| Exchange rate derivatives - trading | (1) | (1) | - | - | - | - | - |

At 31 December 2020, debt contracted in foreign currency amounted to Euros 87 million and the amount of Cash and Cash Equivalents in foreign currency amounted to Euros 8 million (Euros 109 million and Euros 2 million respectively at 31 December 2019, respectively) (see Notes 17.1 and 13).

Sensitivity analysis.

At 31 December 2020 and 2019, the pre-tax impact of exchange rate movements of the Euro against the US Dollar (USD) on the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, other variables remaining constant, was as follows:

Millions of euros

| | Percentage variation | 31 December 2020 | | 31 December 2019 | |
|--|----------------------|-------------------------------|--|-------------------------------|--|
| | | Consolidated Income Statement | Consolidated Statement of Comprehensive Income | Consolidated Income Statement | Consolidated Statement of Comprehensive Income |
| Fair value of derivative hedging instruments | | | | | |
| Cash flow | | | | | |
| Euro depreciation | 10% | - | 219 | - | 161 |
| Euro appreciation | 10% | - | (180) | - | (133) |
| Fair value | | | | | |
| Euro depreciation | 10% | - | - | - | - |
| Euro appreciation | 10% | - | - | - | - |
| Fair value of derivative instruments not designated as hedging instruments | | | | | |
| Euro depreciation | 10% | (2) | - | (1) | - |
| Euro appreciation | 10% | 2 | - | 1 | - |

19.3. Commodity price risk.

The Company is exposed to the risk of fluctuations in energy commodity prices, including carbon dioxide (CO₂) emission rights, mainly through the following:

- Purchases of fuel stocks in the electricity generation process
- Power sale and purchase transactions on domestic and international markets.

Exposure to fluctuations in commodity prices is controlled by monitoring risk to ensure that it remains within the risk appetite as a measure to balance expected returns against assumed risk. These limits are based on expected results with a confidence interval of 95%. Industrial portfolio positions are reviewed monthly on the basis of Profit at Risk, and the trading portfolio is reviewed daily on the basis of Value at Risk.

Individual analyses are also performed on the impact of certain relevant transactions on ENDESA's risk profile and delivery of its predefined limits.

Exposure to this risk in the long term is managed by diversifying contracts, managing the procurements portfolio by reference to indices with a similar or comparable trend to that of the end electricity (generation) or sale (retailing) prices and through regularly renegotiated contractual clauses aimed at maintaining the economic balance of procurements.

In the short and medium term, fluctuations in commodity prices are managed through specific hedges, generally derivatives.

The breakdown of commodity derivatives by notional amount and fair value at 31 December 2020 and 2019 is as follows:

Millions of euros

| COMMODITIES DERIVATIVES | 31 December 2020 | | | | | |
|--|---------------------|----------------|----------------------------|--------------------|---------------------------------|-------------------------|
| | Net notional amount | Net fair value | Notional, financial assets | Assets, fair value | Notional, financial liabilities | Liabilities, fair value |
| Cash flow hedging derivatives | 3,903 | 68 | 2,325 | 303 | 1,578 | (235) |
| Liquid fuel and gas swaps | 2,840 | 22 | 1,621 | 197 | 1,219 | (175) |
| Electricity swaps | 993 | 46 | 634 | 106 | 359 | (60) |
| Electricity options | 70 | - | 70 | - | - | - |
| Derivatives not designated as hedging instruments | 2,557 | 115 | 1,460 | 305 | 1,097 | (190) |
| Liquid fuel and gas swaps | 1,677 | 106 | 1,024 | 231 | 653 | (125) |
| Other liquid fuel and gas derivatives | 26 | 1 | 14 | 3 | 12 | (2) |
| Electricity swaps | 782 | 13 | 409 | 67 | 373 | (54) |
| Electricity options | 2 | 2 | 2 | 2 | - | - |
| Other electricity derivatives | - | - | - | - | - | - |
| Coal swaps | 5 | - | 2 | - | 3 | - |
| Other physical derivatives | 65 | (7) | 9 | 2 | 56 | (9) |
| TOTAL COMMODITIES DERIVATIVES | 6,460 | 183 | 3,785 | 608 | 2,675 | (425) |

Millions of euros

| COMMODITIES DERIVATIVES | 31 December 2019 | | | | | |
|--|---------------------|----------------|----------------------------|--------------------|---------------------------------|-------------------------|
| | Net notional amount | Net fair value | Notional, financial assets | Assets, fair value | Notional, financial liabilities | Liabilities, fair value |
| Cash flow hedging derivatives | 2,605 | (22) | 1,180 | 170 | 1,425 | (192) |
| Liquid fuel and gas swaps | 1,953 | 27 | 1,013 | 152 | 940 | (125) |
| Electricity swaps | 649 | (49) | 167 | 18 | 482 | (67) |
| Electricity options | - | - | - | - | - | - |
| Derivatives not designated as hedging instruments | 2,904 | 123 | 1,522 | 405 | 1,382 | (282) |
| Liquid fuel and gas swaps | 1,822 | 121 | 988 | 324 | 834 | (203) |
| Other liquid fuel and gas derivatives | 75 | (4) | 39 | 10 | 36 | (14) |
| Electricity swaps | 750 | 5 | 392 | 48 | 358 | (43) |
| Electricity options | 16 | (2) | - | - | 16 | (2) |
| Other electricity derivatives | 2 | - | 2 | - | - | - |
| Coal swaps | 141 | 5 | 69 | 19 | 72 | (14) |
| Other physical derivatives | 91 | (2) | 27 | 4 | 64 | (6) |
| TOTAL COMMODITIES DERIVATIVES | 5,509 | 101 | 2,702 | 575 | 2,807 | (474) |

The effect of hedging derivatives in the Consolidated Statement of Financial Position, in the Consolidated Income Statement and in the Consolidated Statement of Comprehensive Income was as follows:

Millions of euros

| | 31 December 2020 | | | | 2020 | | |
|--|---------------------|--------------------|-------------------------|---|---|---|---|
| | Net notional amount | Assets, fair value | Liabilities, fair value | Changes in fair value in the Consolidated Statement of Comprehensive Income | Amount reclassified from the Consolidated Statement of Comprehensive Income to the Consolidated Income Statement ⁽¹⁾ | Amount reclassified from the Consolidated Statement of Comprehensive Income to the Consolidated Income Statement ⁽²⁾ | Changes in fair value recognised in the Income Statement due to non-effectiveness |
| Cash flow hedging derivatives | | | | | | | |
| Liquid fuel and gas derivatives | 2,840 | 197 ⁽³⁾ | (175) ⁽⁴⁾ | (60) | (89) ⁽⁵⁾ | (9) ⁽⁵⁾ | 8 ⁽⁵⁾ |
| Coal derivatives | - | - | - | - | - | - | - |
| Electricity derivatives | 1,063 | 106 ⁽³⁾ | (60) ⁽⁴⁾ | 105 | (183) ⁽⁵⁾ | - | - |
| Other physical derivatives | - | - | - | - | - | - | - |
| Total cash flow hedging derivatives | 3,903 | 303 | (235) | 45 | (272) | (9) | 8 |

(1) Amount reclassified from the Income Statement because the hedged item affected income.

(2) Amount reclassified from the Income Statement because the future cash flows are no longer expected to occur.

(3) Included under the headings "Trade and other Receivables - Hedging Derivatives" and "Non-Current Financial Assets - Hedging Derivatives" in the Consolidated Statement of Financial Position.

(4) Included in "Trade payables and other current liabilities - Non-financial derivatives" and "Other non-current liabilities - Hedging Derivatives" in the Consolidated Statement of Financial Position.

(5) Included in "Income" and "Procurements and services" in the Consolidated Income Statement.

Millions of euros

| | 31 December 2019 | | | | 2019 | | |
|--|---------------------|--------------------|-------------------------|---|--|--|---|
| | Net notional amount | Assets, fair value | Liabilities, fair value | Changes in fair value in the Consolidated Statement of Comprehensive Income | Amount reclassified from the Consolidated Statement of Comprehensive Income to the Consolidated Income Statement (1) | Amount reclassified from the Consolidated Statement of Comprehensive Income to the Consolidated Income Statement (2) | Changes in fair value recognised in the Income Statement due to non-effectiveness |
| Cash flow hedging derivatives | | | | | | | |
| Liquid fuel and gas derivatives | 1.953 | 152 (3) | (125) (4) | 250 | (6) (5) | (16) (5) | - |
| Coal derivatives | - | - | - | 2 | (27) (6) | (4) (6) | - |
| Electricity derivatives | 649 | 18 (3) | (67) (4) | (76) | (68) (5) | - | - |
| Other physical derivatives | 3 | - | - | 1 | - | - | - |
| Total cash flow hedging derivatives | 2.605 | 170 | (192) | 177 | (101) | (20) | - |

(1) Amount reclassified from the Income Statement because the hedged item affected income.

(2) Amount reclassified from the Income Statement because the future cash flows are no longer expected to occur.

(3) Included in "Trade and other receivables - Non-financial derivatives" in the Consolidated Statement of Financial Position.

(4) Included in "Trade payables and other current liabilities - Non-financial derivatives" in the Consolidated Statement of Financial Position.

(5) Included in "Income" and "Procurements and services" in the Consolidated Income Statement.

(6) Included in "Procurements and Services" in the Consolidated Income Statement.

The breakdown of fair value projected for the coming years in relation to these derivatives at 31 December 2020 and 2019 is as follows:

Millions of euros

| Fair value | Fair value stratification | | | | | | |
|--|---------------------------|------|------|------|------|------|------------|
| | 31 December 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Subsequent |
| Cash flow hedging derivatives | | | | | | | |
| Electricity derivatives | 46 | 26 | 17 | (9) | 3 | 3 | 6 |
| Liquid fuel and gas derivatives | 22 | - | 16 | 6 | - | - | - |
| Derivatives not designated as hedging instruments | | | | | | | |
| Electricity derivatives | 15 | 12 | - | 1 | 1 | - | 1 |
| Coal derivatives | - | - | - | - | - | - | - |
| Liquid fuel and gas derivatives | 107 | 102 | 4 | 1 | - | - | - |
| Other physical derivatives | (7) | (7) | - | - | - | - | - |

Millions of euros

| Fair value | Fair value stratification | | | | | | |
|--|---------------------------|------|------|------|------|------|------------|
| | 31 December 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Subsequent |
| Cash flow hedging derivatives | | | | | | | |
| Electricity derivatives | (49) | (49) | - | - | - | - | - |
| Liquid fuel and gas derivatives | 27 | (16) | 42 | - | 1 | - | - |
| Derivatives not designated as hedging instruments | | | | | | | |
| Electricity derivatives | 3 | - | - | 1 | 1 | 1 | - |
| Coal derivatives | 5 | 5 | - | - | - | - | - |
| Liquid fuel and gas derivatives | 117 | 115 | 2 | - | - | - | - |
| Other physical derivatives | (2) | (2) | - | - | - | - | - |

Sensitivity analysis.

Details of the impact on the value of existing commodities derivatives at 31 December 2020 and 2019 of a variation in raw material prices, other variables remaining constant, are as follows:

Millions of euros

| Cash flow hedging derivatives | 31 December 2020 | | | 31 December 2019 | | |
|---------------------------------|--------------------------------------|-------------------------------|--|----------------------------------|-------------------------------|---|
| | Fluctuations in commodity prices (1) | Consolidated Income Statement | Consolidated Statement of Comprehensive Income | Fluctuations in commodity prices | Consolidated Income Statement | Statement of Other Comprehensive Income |
| Electricity derivatives | 15% | - | 132 | 10% | - | 39 |
| | -15% | - | (131) | -10% | - | (39) |
| Coal derivatives | 15% | - | - | 10% | - | - |
| | -15% | - | - | -10% | - | - |
| Liquid fuel and gas derivatives | 15% | - | 74 | 10% | - | 4 |
| | -15% | - | (73) | -10% | - | (2) |

(1) Modification made after analysis of raw material prices considering the uncertainty of the current context.

Millions of euros

| Derivatives not designated as hedging instruments | 31 December 2020 | | | 31 December 2019 | | |
|---|---|-------------------------------|--|----------------------------------|-------------------------------|---|
| | Fluctuations in commodity prices ⁽¹⁾ | Consolidated Income Statement | Consolidated Statement of Comprehensive Income | Fluctuations in commodity prices | Consolidated Income Statement | Statement of Other Comprehensive Income |
| Electricity derivatives | 15% | (5) | - | 10% | 1 | - |
| | -15% | 4 | - | -10% | 5 | - |
| Coal derivatives | 15% | (1) | - | 10% | 1 | - |
| | -15% | 1 | - | -10% | (1) | - |
| Liquid fuel and gas derivatives | 15% | (1) | - | 10% | (6) | - |
| | -15% | - | - | -10% | 7 | - |
| Other physical derivatives | 15% | (8) | - | 10% | - | - |
| | -15% | 3 | - | -10% | - | - |

(1) Modification made after analysis of raw material prices considering the uncertainty of the current context.

19.4. Liquidity risk.

Liquidity risk may cause difficulties in meeting the obligations associated with financial liabilities, which are settled by provision of cash or other financial assets. Liquidity risk management aims to guarantee a level of liquidity minimising opportunity cost, and to maintain a structure of financial debt on the basis of due dates and sources of finance. In the short term, liquidity risk is mitigated by maintaining a sufficient level of resources available unconditionally, including cash and short-term deposits, available lines of credit and a portfolio of highly liquid assets.

ENDESA's liquidity policy consists of arranging committed long-term credit lines 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.

These needs include maturity of net financial debt. Further details of the characteristics and conditions of borrowings and financial derivatives are provided in Notes 17 and 18, respectively.

The cash function is centralised at ENDESA Financiación Filiales, S.A.U., which draws up cash forecasts to ensure it has sufficient cash to meet operational needs, maintaining sufficient levels of availability on its undrawn loans.

At 31 December 2020 and 31 December 2019, ENDESA's liquidity position has undergone significant changes, details as follows:

Millions of euros

| Notes | 31 December 2020 | | | 31 December 2019 | | |
|--|------------------|--------------|--------------|------------------|--------------|--------------|
| | Current | Non-current | Total | Current | Non-current | Total |
| Cash and Cash Equivalents | 403 | - | 403 | 223 | - | 223 |
| Unconditionally available in credit lines ⁽¹⁾ | 15 | 4,075 | 4,090 | 20 | 3,057 | 3,077 |
| Liquidity | 418 | 4,075 | 4,493 | 243 | 3,057 | 3,300 |

(1) At 31 December 2020 and 2019, Euros 1,000 million corresponded to the credit line available with ENEL Finance International, N.V. In addition, at 31 December 2020, Euros 700 million correspond to the credit line available with ENEL Finance International, N.V. (see Notes 17.2.1, 17.2.2 and 34.1.2).

At 31 December 2020, ENDESA had negative working capital of Euros 2,321 million. The undrawn amount on the Company's long-term credit lines provides assurance that ENDESA can obtain sufficient financial resources to continue to operate, realise its assets and settle its liabilities for the amounts shown in the Consolidated Statement of Financial Position (see Note 17.2.1).

ENDESA has a solid financial situation and unconditional credit lines contracted with first-rate entities available for significant amounts. This, together with the implementation of specific plans for the improvement and efficient management of liquidity, it is estimated that it will allow to face the impact caused by the difficulties of the economic situation.

However, in order to strengthen its liquidity position and ensure the continuity of business activity, ENDESA has carried out a series of financial transactions (see Notes 2.2.1., 17.2.2 and 38).

19.5. Credit risk.

Credit risk is generated when a counterparty does not meet its obligations set out in a financial or commercial contract, giving rise to financial losses. ENDESA is exposed to credit risk from its operational and financial activities, including derivatives, deposits with banks, transactions in foreign currency and other financial instruments.

Based on the judgement of experts and in accordance with the recommendations of the European Securities and Markets Authority (ESMA), ENDESA incorporated the impact deriving from the COVID-19 crisis and the lockdown measures into the expected loss calculation (see Notes 2.2.1, 3g.3, 4, 12.1 and 38).

Unexpected changes to the credit rating of a counterparty have an impact on the creditor's position in terms of solvency (non-compliance risk) or changes to market value (spread risk).

ENDESA closely monitors its credit risk, taking additional precautions which include the following, among others:

- Risk analysis, assessment and monitoring of counterparty credit quality
- Establishing contractual clauses guarantee requests or contracting insurance where necessary.
- Exhaustive review of the level of counterparty exposure.
- Counterparty diversification.

Historically, credit risk on trade receivables is limited, given the short period of collection from customers, as supply may be cut off in accordance with the applicable regulations before any significant arrears are accumulated (see Note 12).

At 31 December 2020, overdue debt to third parties totalled Euros 700 million, which represents 19.5 equivalent invoicing days (Euros 624 million and 14.8 equivalent invoicing days at 31 December 2019).

ENDESA's policies for managing credit risk on financial assets are as follows:

- ENDESA and its subsidiaries place their cash surpluses with counterparties which are leading entities in the markets in which they operate. At 31 December 2020, the greatest exposure to cash positions held with a counterparty not belonging to the ENEL Group amounted to Euros 121 million (31 December 2019: Euros 25 million).
- Interest rate and exchange rate risk derivatives are contracted with highly solvent entities so that, as of 31 December 2020, 94% of the total exposure of the transactions contracted corresponds to transactions with entities whose rating is equal to or higher than "A-" (91% as of 31 December 2019).
- Credit risk associated with financial instruments arranged on commodities is limited. At 31 December 2020, taking market values as a basis, exposure to commodity derivatives was less than Euros 213 million (less than Euros 167 million at 31 December 2019).
- At 31 December 2020, the maximum accumulated credit risk by counterparty arising from interest rate, exchange rate and commodities derivatives was Euros 130 million, and therefore no counterparty accumulated more than 59% of the total credit risk related to financial instruments (31 December 2019: Euros 145 million and 64% of the total, respectively).

At 31 December 2020 and 2019, there were guarantees, letters of guarantee, and pledges received for commercial transactions, as follows:

Millions of euros

| | 31 December 2020 | 31 December 2019 |
|---------------------------------|------------------|------------------|
| Business to Business (B2B) | 222 | 218 |
| Commodity market counterparties | 81 | 308 |
| TOTAL | 303 | 526 |

At 31 December 2020 and 2019, no guarantees, letters of guarantee or pledges had been executed in any significant amounts.

Due dates and expected loss of financial assets

At 31 December 2020 and 2019 the breakdown of trade receivables for sales and services rendered by due dates, of assets from contracts with customers and other debtors, and expected loss was as follows:

Millions of euros

| Notes | 31 December 2020 | | | 31 December 2019 | | |
|---|------------------|---|--------------------------------------|------------------|---|--------------------------------------|
| | Balance | Weighted Average of Expected Loss Rates | Value Correction for Expected Losses | Balance | Weighted Average of Expected Loss Rates | Value Correction for Expected Losses |
| Trade receivables for sales and services | 2,556 | 14,6% | 373 | 2,479 | 14.9% | 369 |
| Current not yet due | 1,856 | 0,7% | 13 | 1,855 | 1.0% | 18 |
| Due: | 700 | 51,4% | 360 | 624 | 56.3% | 351 |
| Less than three months | 165 | 10,3% | 17 | 134 | 11.2% | 15 |
| Three to six months | 87 | 27,6% | 24 | 74 | 31.1% | 23 |
| Six to twelve months | 112 | 53,6% | 60 | 82 | 56.1% | 46 |
| Over twelve months | 336 | 77,1% | 259 | 334 | 79.9% | 267 |
| Assets from contracts with customers | 11 | 9,1% | 1 | 15 | 6.7% | 1 |
| Other debtors | 459 | 17,4% | 80 | 456 | 21.3% | 97 |
| TOTAL | 3,026 | - | 454 | 2,950 | - | 467 |

As of 31 December 2020 and 2019, the detail of other non-current and current financial assets at amortised cost and the expected loss thereon are as follows:

Millions of euros

| Notes | 31 December 2020 | | | 31 December 2019 | | |
|--|------------------|---|--------------------------------------|------------------|---|--------------------------------------|
| | Balance | Weighted Average of Expected Loss Rates | Value Correction for Expected Losses | Balance | Weighted Average of Expected Loss Rates | Value Correction for Expected Losses |
| Non-current and current financial assets | 796 | 3.0% | 24 | 837 | 3.6% | 30 |
| Current financial assets | 1,179 | 0.2% | 2 | 1,229 | 1.1% | 14 |
| TOTAL | 1,975 | - | 26 | 2,066 | - | 44 |

Analysis of counterparty risk

At 31 December 2020 and 2019, the breakdown of the credit ratings of financial instruments that were not yet due (current and non-current assets) and were not trade receivables, was as follows:

Millions of euros

| | Notes | 31 December 2020 | 31 December 2019 |
|---|-----------------|------------------|------------------|
| Cash and Cash Equivalents | 13 | 403 | 223 |
| A+ | | 10 | 15 |
| A | | 1 | 1 |
| A- | | 121 | 105 |
| BBB+ | | 169 | 28 |
| BBB | | 63 | 60 |
| BBB- | | 34 | 2 |
| BB+ | | 4 | 8 |
| BB | | - | - |
| B+ | | - | - |
| Counterparty without credit rating | | 1 | 4 |
| Equity Instruments | 18.1.2 | 6 | 5 |
| A- | | 3 | 2 |
| BBB+ | | - | - |
| Counterparty without credit rating | | 3 | 3 |
| Hedging financial derivatives | 18.3 | 7 | 7 |
| A+ | | 7 | 7 |
| A | | - | - |
| Non-financial Derivatives | 18.3 | 629 | 652 |
| AAA | | 62 | 31 |
| AA- | | - | 4 |
| A+ | | 3 | 11 |
| A | | 19 | 11 |
| A- | | 464 | 42 |
| BBB+ | | 11 | 14 |
| BBB | | 3 | 26 |
| BBB- | | 46 | 5 |
| BB+ | | 1 | 1 |
| BB | | 15 | 7 |
| BB- | | 5 | 497 |
| B+ | | - | 1 |
| Counterparty without credit rating | | - | 2 |
| Financial Assets ⁽¹⁾ | | 1,949 | 2,022 |
| Financing of the revenue shortfall from regulated activities in Spain | 4 and 18.1.1 | 277 | 389 |
| Compensation for extra costs in non-mainland generation | 4 and 18.1.1 | 602 | 561 |
| Guarantee and deposits | 18.1.1 | 443 | 449 |
| Loans to employees | 18.1.1 | 36 | 31 |
| Loans to Associated Companies, Joint Ventures and Joint Operation Entities | 18.1.1 and 34.2 | 64 | 69 |
| Remuneration of Distribution Activity | 4 and 18.1.1 | 429 | 402 |
| Remuneration for Renewable Energy Investment | 4 and 18.1.1 | 1 | - |
| Other financial assets | 18.1.1 | 123 | 165 |
| Impairment loss | | (26) | (44) |
| TOTAL | | 2,994 | 2,909 |

(1) Mainly includes receivables from Public Administrations, as well as from counterparties without a credit rating.

19.6. Concentration risk

ENDESA is exposed to customer and supplier concentration risk in its activity.

Customer concentration risk is managed and minimised by a business strategy with several diversification criteria:

- Types of customer: Large industrial customers, medium-sized companies and residential customers, both private individuals and public authorities;
- Economic activity of customers: Business with customers operating in different sectors; and
- Types of product sold: Electricity, natural gas and other value added products and services.

This strategy ensures that sales to a specific customer do not account for a major portion of ENDESA's economic results.

This risk is controlled by regular monitoring of trade receivable accounts (debts past-due and outstanding) for individuals and groups of companies under joint control.

In its relationships with its main shareholder, ENDESA is exposed to credit risk. In 2020, this risk was not significant, and related mainly to the potential change in commodities hedging contracts which ENDESA has arranged through ENEL Group companies.

At 31 December 2020, receivables from the ten largest customers (business group) accounted for less than 20% of the total, and none of them individually accounted for more than 5.7% at that date (13% and 2.7%, respectively, at 31 December 2019).

ENDESA's current relationships with main industry service suppliers and providers are essential for the development and growth of its business, and may affect its capacity to negotiate contracts with these parties under favourable conditions. Nonetheless, ENDESA's technical and economic rating processes allow it to ensure the quality of services acquired as well as the supplier's financial status, and offer a diversified supplier portfolio in all its purchasing categories, thereby making it possible to replace one in the case of interrupted service, mitigating its supplier concentration risk.

At 31 December 2020, its top 10 suppliers did not represent more than 33.1% of the total (31 December 2019: 39.4%).

In the current context, the possible failure of a particular customer or supplier should not have a significant effect on the concentration risk, given that the concentration of customers and suppliers is low and the ability to replace suppliers is fairly high, without prejudice to the monitoring that ENDESA is carrying out regarding the evolution of said concentration risk (see Notes 2.2.1 and 38).

20. Other non-current liabilities

Details of this heading in the Consolidated Statement of Financial Position at 31 December 2020 and 2019 are as follows:

Millions of euros

| | Notes | 31 December 2020 | 31 December 2019 |
|---|-------------------|------------------|------------------|
| Guarantee and deposits | 18.1.1 and 18.2.1 | 490 | 490 |
| Derivatives | 18.3 | 200 | 25 |
| Hedging derivatives | | 186 | 20 |
| Derivatives not designated as hedging instruments | | 14 | 5 |
| Remuneration for Renewable Energy Investment | 18.2.1 | 1 | 47 |
| Other payables | 18.2.1 | 140 | 116 |
| TOTAL | | 831 | 678 |

21. Deferred tax assets and liabilities.

21.1. Deferred tax assets.

At 31 December 2020 and 2019, the origin of the deferred tax assets recognised in both periods is as follows:

Millions of euros

| | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| Deferred tax assets originating from: | | |
| Depreciation and amortisation of property, plant and equipment and intangible assets | 382 | 503 |
| Provisions for pension funds and workforce reduction plans | 611 | 600 |
| Other provisions | 210 | 231 |
| Tax loss carryforwards | 17 | 25 |
| Unused tax credits | 19 | 26 |
| Others | 152 | 129 |
| TOTAL | 1,391 | 1,514 |

In 2020 and 2019 the movements in "Deferred Tax Assets" of the Consolidated Statement of Financial Position were as follows:

Millions of euros

| | Deferred tax assets | | | | Balance at 31 December 2020 |
|--|-----------------------------|------------------------------------|---------------------------------------|---------------------|-----------------------------|
| | Balance at 31 December 2019 | (Charge) / Credit to P&L (Note 31) | (Charge) / Credit to Equity (Note 31) | Transfers and other | |
| Depreciation and amortisation of property, plant and equipment and intangible assets | 503 | (129) | - | 8 | 382 |
| Provisions for pension funds and workforce reduction plans | 600 | 4 | 16 | (9) | 611 |
| Other provisions | 231 | (27) | - | 6 | 210 |
| Tax loss carryforwards | 25 | (8) | - | - | 17 |
| Unused tax credits | 26 | (7) | - | - | 19 |
| Others | 129 | 4 | 28 | (9) | 152 |
| TOTAL | 1,514 | (163) | 44 | (4) | 1,391 |

Millions of euros

| | Deferred tax assets | | | | Balance at 31 December 2019 |
|--|-----------------------------|------------------------------------|---------------------------------------|---------------------|-----------------------------|
| | Balance at 31 December 2018 | (Charge) / Credit to P&L (Note 31) | (Charge) / Credit to Equity (Note 31) | Transfers and other | |
| Depreciation and amortisation of property, plant and equipment and intangible assets | 164 | 336 | - | 3 | 503 |
| Provisions for pension funds and workforce reduction plans | 582 | (16) | 34 | - | 600 |
| Other provisions | 228 | 3 | - | - | 231 |
| Tax loss carryforwards | 39 | (14) | - | - | 25 |
| Unused tax credits | 31 | (5) | - | - | 26 |
| Others | 114 | 28 | 7 | (20) | 129 |
| TOTAL | 1,158 | 332 | 41 | (17) | 1,514 |

Recovery of the deferred tax assets depends on the generation of sufficient taxable profits in the future. In the current context, at the date of formulation of these Consolidated Financial Statements, the recovery of deferred tax assets in ENDESA has not been affected and the Directors of the Parent Company consider that the future profit forecasts of the different ENDESA companies cover those necessary to recover these assets (see Notes 2.2.1 and 38).

At 31 December 2020 and 2019, there are recognised deferred taxes related to tax losses awaiting recognition amounting to Euros 10 million and Euros 11 million, respectively.

At 31 December 2020, there were deferred tax assets corresponding to tax loss carryforwards susceptible of being offset against future profits in the amount of Euros 17 million (Euros 25 million at 31 December 2019).

At 31 December 2020 and 2019 the breakdown of the deferred tax assets corresponding to unused tax credits available for use against future profits and the year until which they can be utilised were as follows:

Millions of euros

| Year | 31 December 2020 | 31 December 2019 |
|--------------|------------------|------------------|
| 2028 | 5 | 9 |
| No limit | 14 | 17 |
| TOTAL | 19 | 26 |

21.2. Deferred tax liabilities.

At 31 December 2020 and 2019, the origin of the deferred tax liabilities recognised in both periods was as follows:

Millions of euros

| | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| Deferred tax liabilities arising from: | | |
| Accelerated depreciation and amortisation of assets for tax purposes | 545 | 554 |
| Others | 508 | 533 |
| TOTAL | 1,053 | 1,087 |

In 2020 and 2019 the movements in "Deferred Tax Liabilities" of the Consolidated Statement of Financial Position were as follows:

Millions of euros

| | Deferred tax liabilities | | | | Balance at 31 December 2020 |
|--|-----------------------------|------------------------------------|---------------------------------------|---------------------|-----------------------------|
| | Balance at 31 December 2019 | Charge / (Credit) to P&L (Note 31) | Charge / (Credit) to Equity (Note 31) | Transfers and other | |
| Accelerated depreciation and amortisation of assets for tax purposes | 554 | (17) | - | 8 | 545 |
| Others | 533 | 5 | (32) | 2 | 508 |
| TOTAL | 1,087 | (12) | (32) | 10 | 1,053 |

Millions of euros

| | Deferred tax liabilities | | | | Balance at 31 December 2019 |
|--|-----------------------------|------------------------------------|---------------------------------------|---------------------|-----------------------------|
| | Balance at 31 December 2018 | Charge / (Credit) to P&L (Note 31) | Charge / (Credit) to Equity (Note 31) | Transfers and other | |
| Accelerated depreciation and amortisation of assets for tax purposes | 619 | (64) | - | (1) | 554 |
| Others | 518 | (20) | 50 | (15) | 533 |
| TOTAL | 1,137 | (84) | 50 | (16) | 1,087 |

At 31 December 2020 and 2019, there were no deferred tax liabilities not recognised in the Consolidated Statement of Financial Position associated with investments in subsidiaries, associates and jointly controlled entities where ENDESA can control the reversal of these and it is probable that they will not revert in the foreseeable future.

21.3. Other information.

Offsetting of deferred tax assets and liabilities

At 31 December 2020 and 2019, deferred taxes eligible for offset amounted to Euros 787 million and Euros 905 million respectively.

Of total deferred tax assets and deferred tax liabilities at 31 December 2020 and 2019, the following may not be set off:

Millions of euros

| | 31 December 2020 | 31 December 2019 |
|--|------------------|------------------|
| Deferred tax assets not eligible for offset | 604 | 609 |
| Deferred tax liabilities not eligible for offset | 266 | 182 |

Realisation of deferred tax assets and liabilities.

Estimated realisation of deferred tax assets and liabilities recognised in the Consolidated Statement of Financial Position at 31 December 2020 and 2019 is as follows:

Millions of euros

| | 31 December 2020 | 31 December 2019 |
|----------------------------------|------------------|------------------|
| Deferred tax assets | 1,391 | 1,514 |
| Realisable in one year | 282 | 254 |
| Realisable at more than one year | 1,109 | 1,260 |
| Deferred tax liabilities | 1,053 | 1,087 |
| Realisable in one year | 91 | 42 |
| Realisable at more than one year | 962 | 1,045 |

22. Trade payables and other current liabilities.

Details of this heading in the Consolidated Statement of Financial Position at 31 December 2020 and 2019 are as follows:

Millions of euros

| | Notes | 31 December 2020 | 31 December 2019 |
|---|---------------------|------------------|------------------|
| Trade Payables and Other Current Liabilities | 18 | 5,323 | 5,587 |
| Suppliers and other payables | | 3,739 | 3,884 |
| Dividend payable | 14.1.10 and 14.1.12 | 745 | 747 |
| Other payables | | 561 | 689 |
| Remuneration for Renewable Energy Investment | | 4 | |
| Current liabilities on contracts with customers | | 274 | 267 |
| Derivatives | 18.3 | 404 | 461 |
| Hedging derivatives | | 195 | 179 |
| Derivatives not designated as hedging instruments | | 209 | 282 |
| Tax liabilities | | 979 | 886 |
| Current income tax | | 512 | 385 |
| Value Added Tax (VAT) payable | | 50 | 84 |
| Other taxes | | 417 | 417 |
| TOTAL | | 6,706 | 6,934 |

At 31 December 2020 and 2019, "Current Liabilities of Contracts with Customers" includes the current part of the items detailed in Note 15 and the contracts for the execution of works that ENDESA Ingeniería, S.L.U. has entered into with Red Eléctrica de España, S.A.U. (REE).

During 2020 and 2019, the movement of current liabilities of contracts with customers was as follows:

Millions of euros

| | Notes | 2020 | 2019 |
|-------------------------------|-------|------------|------------|
| Opening balance | | 267 | 259 |
| Allocation to profit and loss | 24.2 | (164) | (158) |
| Transfers and other | | 171 | 166 |
| Closing balance | | 274 | 267 |

At 31 December 2020 and 2019, "Dividend Payable" mainly consisted of the dividends corresponding to ENDESA, S.A.:

Millions of euros

| | Notes | Dividend payable to date | Euros per share, gross | Amount | Payment date |
|-----------------------|---------------------------|--------------------------|------------------------|--------|-----------------|
| 2020 interim dividend | 14.1.10 | 31 December 2020 | 0.700 | 741 | 04 January 2021 |
| 2019 interim dividend | 14.1.10, 14.1.12 and 32.3 | 31 December 2019 | 0.700 | 741 | 02 January 2020 |

At 31 December 2020, the amount of trade payables discounted with financial entities for managing payment to suppliers (confirming) recognised under Trade and other payables" in the Consolidated Statement of Financial Position totalled Euros 53 million (Euros 111 million at 31 December 2019). In 2020, part of these confirming lines incorporate, for the first time, sustainability criteria.

During the years 2020 and 2019, the financial income accrued by the confirming contracts amounted to less than Euros 1 million.

At 31 December 2020, the estimate of invoices receivable for electricity and gas tariff costs arising from energy supplied and not invoiced amounted to Euros 288 million and Euros 92 million, respectively (Euros 268 million and Euros 82 million, respectively, at 31 December 2019) and was included in the Consolidated Statement of Financial Position.

22.1. Information on average payment period to suppliers. Third additional provision. "Duty of disclosure" under Law 15/2010 of 5 July 2010.

The following are details of the degree of compliance by the Company with the statutory deadlines for payment to suppliers for commercial transactions under Law 15/2010 of 5 July 2010:

Number of days

| | 2020 | 2019 |
|---------------------------------------|------|------|
| Average payment period to suppliers | 14 | 15 |
| Ratio of transactions paid | 13 | 14 |
| Ratio of transactions pending payment | 22 | 39 |

Millions of euros

| | 2020 | 2019 |
|------------------------|--------|--------|
| Total payments made | 12,115 | 14,407 |
| Total payments pending | 208 | 276 |

23. Current provisions

The breakdown of this heading in the Consolidated Statement of Financial Position at 31 December 2020 and 2019 is as follows:

Millions of euros

| | Notes | 31 December 2020 | 31 December 2019 |
|---|--------|------------------|------------------|
| Provisions for workforce restructuring plans | | 216 | 181 |
| Workforce restructuring plans | 16.2.1 | 35 | 57 |
| Contracts suspensions | 16.2.2 | 181 | 124 |
| Carbon dioxide (CO ₂) emission rights | 11.1 | 236 | 364 |
| Other current provisions | | 25 | 31 |
| TOTAL | | 477 | 576 |

24. Income.

During 2020 and 2019, the breakdown of this heading in the Consolidated Income Statement is as follows:

Millions of euros

| | 2020 | 2019 |
|------------------------|---------------|---------------|
| Sales | 16,644 | 19,258 |
| Other Operating Income | 935 | 900 |
| TOTAL | 17,579 | 20,158 |

(1) See Note 33.2.1.

24.1. Sales.

The details of this section, by Segment, in the 2020 and 2019 Consolidated Income Statements relating to income from ordinary activities from contracts with customers, are as follows:

Millions of euros

| | 2020 | 2019 |
|---|---------------|---------------|
| Generation and Supply | 14,332 | 16,846 |
| Electricity sales | 11,969 | 13,801 |
| Deregulated market sales | 8,245 | 9,404 |
| Deregulated market sales - Spain | 7,201 | 8,320 |
| Deregulated market sales - other than Spain | 1,044 | 1,084 |
| Sales at regulated prices | 1,839 | 2,055 |
| Wholesale market sales | 619 | 843 |
| Compensation for Non-mainland Territories ("TNP") | 1,111 | 1,376 |
| Remuneration for Renewable Energy Investment | 135 | 105 |
| Other electricity sales | 20 | 18 |
| Gas sales | 1,865 | 2,450 |
| Deregulated market sales | 1,812 | 2,369 |
| Sales at regulated prices | 53 | 81 |
| Other sales and services rendered | 498 | 595 |
| Distribution | 2,461 | 2,566 |
| Regulated income from electricity distribution | 2,175 | 2,266 |
| Other sales and services rendered | 286 | 300 |
| Structure and Others (1) | (149) | (154) |
| Other sales and services rendered | (149) | (154) |
| TOTAL (2) | 16,644 | 19,258 |

(1) Structure, Services and Adjustments.

(2) See Note 33.2.1.

In 2020 and 2019, the details of sales to external customers in the main geographical regions are as follows:

Millions of euros

| Country | 2020 | 2019 |
|----------------|---------------|---------------|
| Spain | 14,865 | 17,117 |
| Portugal | 1,010 | 1,026 |
| France | 285 | 420 |
| Germany | 228 | 221 |
| Italy | 101 | 173 |
| Netherlands | 46 | 50 |
| United Kingdom | 24 | 103 |
| Others | 85 | 148 |
| TOTAL | 16,644 | 19,258 |

24.2. Other Operating Income.

Details of this section, by Segments, in the 2020 and 2019 Consolidated Income Statement are as follows:

Millions of euros

| | Notes | 2020 | 2019 |
|---|-------|-------------|-------------|
| Generation and Supply | | 711 | 691 |
| Change in energy derivatives | | 540 | 550 |
| Grants released to income ⁽¹⁾ | | 16 | 10 |
| Third Party Indemnities | | 8 | 5 |
| Others | | 147 | 126 |
| Distribution | | 259 | 262 |
| Grants released to income ⁽¹⁾ | | 12 | 13 |
| Allocation to Profit and Loss of Facilities transferred from customers and Rights for Extension Works, and Liabilities under Contracts with Customers | 22 | 164 | 158 |
| Provision of Services in Facilities | | 4 | 4 |
| Third Party Indemnities | | 13 | 9 |
| Others | | 66 | 78 |
| Structure and Others ⁽²⁾ | | (35) | (53) |
| Third Party Indemnities | | - | - |
| Others | | (35) | (53) |
| TOTAL ^{(3) (4)} | | 935 | 900 |

(1) Includes Euros 16 million relating to capital grants (see Note 15) and Euros 12 million of operating grants in 2020 (Euros 18 million and Euros 5 million respectively in 2019).

(2) Structure, Services and Adjustments.

(3) Includes Euros 237 million relating to income from ordinary activities from contracts with customers in 2020 (Euros 257 million in 2019).

(4) See Note 33.2.1.

In 2020 and 2019, the details of sales to external customers in the main geographical regions were as follows:

Millions of euros

| Country | 2020 | 2019 |
|----------------|------------|------------|
| Spain | 504 | 373 |
| Italy | 358 | 460 |
| Portugal | 33 | 19 |
| France | 17 | 8 |
| United Kingdom | 5 | 22 |
| Netherlands | - | 4 |
| Germany | 2 | 2 |
| Others | 16 | 12 |
| TOTAL | 935 | 900 |

25. Procurements and services.

25.1. Power Purchases.

During 2020 and 2019, the breakdown of this heading in the Consolidated Income Statement is as follows:

Millions of euros

| | 2020 | 2019 |
|--------------|--------------|--------------|
| Electricity | 2,327 | 3,060 |
| Fuel stocks | 1,304 | 1,844 |
| TOTAL | 3,631 | 4,904 |

25.2. Fuel consumption.

During 2020 and 2019, the breakdown of this heading in the Consolidated Income Statement is as follows:

| Millions of euros | | | |
|-------------------|--------------|--------------|--|
| | 2020 | 2019 | |
| Fuel stocks | 1,100 | 1,780 | |
| Coal | 75 | 308 | |
| Nuclear fuel | 118 | 125 | |
| Fuel oil | 677 | 927 | |
| Gas | 230 | 420 | |
| TOTAL | 1,100 | 1,780 | |

25.3. Other variable procurements and services

During 2020 and 2019, the breakdown of this heading in the Consolidated Income Statement is as follows:

| Millions of euros | | | |
|---|--------------|--------------|--|
| | 2020 | 2019 | |
| Change in energy derivatives | 296 | 654 | |
| Carbon dioxide (CO ₂) emission rights | 229 | 372 | |
| Tax on Electricity Production | 234 | 225 | |
| Treatment of radioactive waste | 213 | 181 | |
| Works licences/Street lighting | 172 | 195 | |
| Nuclear Taxes and Fees | 125 | 97 | |
| "Bono Social" discount rate | 51 | 51 | |
| Catalan Nuclear Tax | 54 | - | |
| Water Tax | 30 | 34 | |
| Others | 438 | 457 | |
| TOTAL | 1,842 | 2,266 | |

26. Personnel expenses.

During 2020 and 2019, the breakdown of this heading in the Consolidated Income Statement is as follows:

| Millions of euros | | | | |
|--|--------|--------------|--------------|--|
| | Notes | 2020 | 2019 | |
| Wages and salaries | | 698 | 695 | |
| Contributions to pension schemes | 16.1 | (449) | 60 | |
| Provisions for workforce restructuring plans | | 727 | (1) | |
| Provisions for workforce reduction plans | 16.2.1 | (14) | 1 | |
| Provisions for suspension of contracts | 16.2.2 | 741 | (2) | |
| Other personnel expenses and social charges | | 171 | 268 | |
| TOTAL | | 1,147 | 1,022 | |

27. Other fixed operating expenses.

During 2020 and 2019, the breakdown of this heading in the Consolidated Income Statement is as follows:

| Millions of euros | | | | |
|---|-------|--------------|--------------|--|
| | Notes | 2020 | 2019 | |
| Repairs and maintenance | | 285 | 270 | |
| Insurance premiums | | 58 | 57 | |
| Independent professional services and external services | | 92 | 78 | |
| Leases and royalties | | 21 | 21 | |
| Taxes other than income tax | | 133 | 105 | |
| Travel expenses | | 8 | 18 | |
| Other Fixed Operating Expenses | | 754 | 789 | |
| Support Services for Systems and Applications | | 192 | 189 | |
| Sanctioning Files | | 42 | 57 | |
| Expenses Related to the COVID-19 Health Crisis ⁽¹⁾ | 38 | 25 | - | |
| Others | | 495 | 543 | |
| TOTAL | | 1,351 | 1,338 | |

(1) Euros 22 million in 2020, net of tax effect.

28. Depreciation and amortisation and impairment losses.

During 2020 and 2019, the breakdown of this heading in the Consolidated Income Statement is as follows:

Millions of euros

| | Notes | 2020 | 2019 |
|---|-----------------|---------------------|------------------------|
| DEPRECIATION AND AMORTISATION | | 1,464 | 1,553 |
| Provision for the depreciation of property, plant and equipment | 6 | 1,221 | 1,302 |
| Provision for the amortisation of intangible assets | 8 | 243 | 251 |
| IMPAIRMENT LOSSES | | 433 | 1,900 |
| Non-Financial Assets | | 323 | 1,769 |
| Impairment of property, plant and equipment and investment property | 33.2 | 325 | 1,757 |
| Mainland coal-fired thermal power plants | 3e.4 and 6 | (17) ⁽¹⁾ | 1,352 ⁽²⁾ |
| CGUs of the Non-mainland Territories ("TNP") | 3e.4 and 6 | 338 | 401 ^{(2) (3)} |
| Other Property, Plant and Equipment and Investment Property | 6 and 7 | 4 | 4 |
| Impairment of intangible assets | 8 and 33.2 | (2) | (5) |
| Other Intangible Assets | | (2) | (5) |
| Impairment Losses on Goodwill | 9 and 33.2 | - | 17 |
| Iberian Peninsula Generation CGU: | 3e.4 | - | 14 ⁽²⁾ |
| Canary Islands CGU | 3e.4 | - | 3 ⁽²⁾ |
| Financial Assets | 18.4.1 and 33.2 | 110 | 131 |
| Addition to provision for Impairment of Accounts Receivable from Contracts with Customers | 12.1 | 120 ⁽⁴⁾ | 128 |
| Addition to provision for Impairment losses on other Financial Assets | 18.1.1 | (10) | 3 |
| TOTAL | | 1,897 | 3,453 |

(1) Includes the provisioning of the Los Barrios Port Terminal (Cádiz) (Euros 10 million), as well as the reversal of impairment of non-financial assets (Euros 1 million) and the update of provisions for dismantling (Euros 26 million).

(2) Euros 1,332 million, net of tax effect.

(3) Euros 14 million have been allocated to the Alcudia Thermal Power Plant (Balearic Islands).

(4) Includes a charge for impairment losses on trade receivables related to the impact of COVID-19 amounting to Euros 50 million (see Notes 2.2.1 and 38).

29. Net financial income/(expense).

During 2020 and 2019, the breakdown of this heading in the Consolidated Income Statement is as follows:

Millions of euros

| | Notes | 2020 | 2019 |
|---|-------------------|--------------|--------------|
| Financial Income | | 25 | 24 |
| Income from Financial Assets at Amortised Cost | | 1 | 2 |
| Income from Financial Assets at Fair Value with changes through profit and loss | | 1 | - |
| Income in respect of workforce restructuring plans | | - | - |
| Other financial income | | 23 | 22 |
| Financial expense | | (167) | (202) |
| Expense in respect of Financial Liabilities at Amortised Cost | 18.4.2 | (137) | (133) |
| Expenses for financial liabilities at fair value with changes through profit and loss | | - | - |
| Post-employment obligations expense | 16.1 | (7) | (16) |
| Expenses for workforce restructuring plans | 16.2.1 and 16.2.2 | (13) | (20) |
| Expenses for other provisions | 16.3 | (7) | (13) |
| Capitalised finance costs | 3a.1 and 3i.1 | 4 | 6 |
| Expenses for impairment losses on other financial assets | 18.1.1 and 33.2 | 8 | (21) |
| Other financial expenses | | (15) | (5) |
| Income from derivative financial instruments | 18.4.1 | 3 | 3 |
| Income from cash flow hedges | | - | - |
| Income from derivatives at fair value with changes through profit/loss | | 2 | 1 |
| Income from fair value hedging derivatives | | 1 | 2 |
| Income from the measurement of financial instruments at fair value | | - | - |
| Finance costs on derivative financial instruments | 18.4.2 | (7) | (10) |
| Cash flow hedge expenses | | (7) | (8) |
| Expenses from derivatives at fair value with changes through profit/loss | | - | - |
| Expenses for fair value hedging derivatives | | - | (1) |
| Expenses from the measurement of financial instruments at fair value | | - | (1) |
| Exchange gains/(losses) | | 12 | 1 |
| Gains | | 40 | 19 |
| Losses | | (28) | (18) |
| Net financial profit/(loss) | | (134) | (184) |

30. Gains/(losses) on disposal of assets

The main transactions in 2020 and 2019 were as follows:

Millions of euros

| | Notes | 2020 | 2019 |
|--|-------|-------------|-------------------|
| Non-Financial Assets | | 26 | 40 |
| Transfer of Optical Fibre Use Rights | | 6 | 24 ⁽²⁾ |
| Other gains/losses | | 20 | 16 |
| Disposals of Investments in Group Companies and Other | | - | 1 ⁽³⁾ |
| Disposals of items of property, plant and equipment ⁽¹⁾ | | 20 | 15 |
| Financial Assets | | (24) | (29) |
| Factoring transaction fees | 12.1 | (24) | (29) |
| TOTAL | | 2 | 11 |

(1) Corresponds to capital gains generated by the sale of land and buildings.

(2) Euros 18 million, net of tax effect.

(3) Corresponds to the gross result generated by the divestment of Eólica del Noroeste, S.L. and Ufeyfs, S.L. (in liquidation) (see Notes 2.3. and 2.4)

On 31 July 2020, ENDESA Energía, S.A.U. sold assets and contracts with customers to ENDESA Soluciones, S.L. relating to a photovoltaic plant located in El Acebuche–Retamar (Almería) for Euros 17 million. Subsequently, on 30 November 2020, ENDESA Soluciones, S.L. sold these assets to a third party, generating a total gross capital gain of Euros 9 million.

On 19 December 2019 ENDESA Ingeniería, S.L.U. and Empresa de Alumbrado Eléctrico de Ceuta Distribución, S.A.U. signed an agreement with a third party assigning exclusive long-term usage rights for their surplus dark fibre optic network for an amount of Euros 132 million, generating a total gross capital gain of Euros 24 million. During the year 2020 there was an update of this capital gain in accordance with the events that finally occurred.

31. Corporate income tax.

During 2020 and 2019, the breakdown of this heading in the Consolidated Income Statement is as follows:

Millions of euros

| | Notes | 2020 | 2019 |
|----------------------------------|-------|------------|-----------|
| Current income tax for the year | | 286 | 438 |
| Deferred income tax for the year | 21 | 151 | (416) |
| Adjustments of prior years | | (47) | 26 |
| Income tax provisions | | (2) | 2 |
| TOTAL | | 388 | 50 |

In the current context, ENDESA's effective tax rate does not record significant impacts due to legislative changes adopted to mitigate the effects of the COVID-19 health crisis that affect Income Tax (See Notes 2.2.1 and 38).

Reconciliation between accounting profit and income tax expense.

The 2020 and 2019 reconciliation of the accounting profit (loss) from continuing activities to the income tax expense is as follows:

Millions of euros

| | 2020 | | | | | |
|--|------------------|----------|---|----------|-------|----------|
| | Income Statement | Rate (%) | Income and expenses recognised directly in equity | Rate (%) | Total | Rate (%) |
| Accounting profit after income tax | 1,400 | - | (203) | - | 1,197 | - |
| Corporate Income tax | 388 | - | (76) | - | 312 | - |
| Accounting profit before tax | 1,788 | - | (279) | - | 1,509 | - |
| Theoretical tax | 447 | 25.0 | (70) | 25.0 | 377 | 25.0 |
| Permanent differences | 19 | - | (6) | - | 13 | - |
| Impact of net gains/losses under the equity method | (2) | - | - | - | (2) | - |
| Unrecognised tax losses | - | - | - | - | - | - |
| Canary Islands Investment Reserve (CIR) tax credit | - | - | - | - | - | - |
| Non-deductible provisions | 11 | - | - | - | 11 | - |
| Consolidation adjustments and others | 10 | - | (6) | - | 4 | - |
| Tax credits taken to profit and loss | (65) | - | - | - | (65) | - |
| Prior years' adjustments and other deferred taxes | 36 | - | - | - | 36 | - |
| Tax impact in the year | 437 | - | (76) | - | 361 | - |

Millions of euros

| | 2019 | | | | | |
|--|------------------|-------------|---|-------------|-------------|-------------|
| | Income Statement | Rate (%) | Income and expenses recognised directly in equity | Rate (%) | Total | Rate (%) |
| Accounting profit after income tax | 180 | - | (9) | - | 171 | - |
| Corporate Income tax | 50 | - | 9 | - | 59 | - |
| Accounting profit before tax | 230 | - | - | - | 230 | - |
| Theoretical tax | 58 | 25.0 | - | 25.0 | 58 | 25.0 |
| Permanent differences | 17 | - | 9 | - | 26 | - |
| Impact of net gains/losses under the equity method | (4) | - | 1 | - | (3) | - |
| Unrecognised tax losses | - | - | - | - | - | - |
| Canary Islands Investment Reserve (CIR) tax credit | (1) | - | - | - | (1) | - |
| Non-deductible provisions | 5 | - | - | - | 5 | - |
| Consolidation adjustments and others | 17 | - | 8 | - | 25 | - |
| Tax credits taken to profit and loss | (31) | - | - | - | (31) | - |
| Prior years' adjustments and other deferred taxes | (22) | - | - | - | (22) | - |
| Tax impact in the year | 22 | 9.6 | 9 | - | 31 | 13.5 |

Reconciliation of net tax

In 2020 and 2019, the reconciliation of the income tax expense to the net tax from continuing activities is as follows:

Millions of euros

| | Notes | 2020 | | |
|---|---------------|------------------|---|------------|
| | | Income Statement | Income and expenses recognised directly in equity | Total |
| Tax impact in the year | | 437 | (76) | 361 |
| Change in deferred tax | 21.1 and 21.2 | (151) | 76 | (75) |
| Net tax payable on continuing operations | | 286 | - | 286 |

Millions of euros

| | Notes | 2019 | | |
|---|---------------|------------------|---|------------|
| | | Income Statement | Income and expenses recognised directly in equity | Total |
| Tax impact in the year | | 22 | 9 | 31 |
| Change in deferred tax | 21.1 and 21.2 | 416 | (9) | 407 |
| Net tax payable on continuing operations | | 438 | - | 438 |

Details of income tax expense

The breakdown of the income tax expense for 2020 and 2019 is as follows:

Millions of euros

| | 2020 | | |
|--|-------------|----------------------------------|-------------|
| | Current Tax | Change in deferred tax (Note 21) | Total |
| Recognition in the Income Statement, of which: | 286 | 151 | 437 |
| Net tax payable on continuing operations | 286 | - | 286 |
| Deferred taxes | - | 151 | 151 |
| Depreciation and amortisation of property, plant and equipment and intangible assets | - | 129 | 129 |
| Provisions for pension funds and workforce reduction plans | - | (4) | (4) |
| Other provisions | - | 27 | 27 |
| Tax loss carryforwards | - | 8 | 8 |
| Unused tax credits | - | 7 | 7 |
| Accelerated depreciation and amortisation of assets for tax purposes | - | (17) | (17) |
| Others | - | 1 | 1 |
| Recognition in equity, of which: | - | (76) | (76) |
| Provisions for pension funds and workforce reduction plans | - | (16) | (16) |
| Others | - | (60) | (60) |
| Tax impact in the year | 286 | 75 | 361 |

Millions of euros

| | 2019 | | |
|--|-------------|----------------------------------|-----------|
| | Current Tax | Change in deferred tax (Note 21) | Total |
| Recognition in the Income Statement, of which: | 438 | (416) | 22 |
| Net tax payable on continuing operations | 438 | - | 438 |
| Deferred taxes | - | (416) | (416) |
| Depreciation and amortisation of property, plant and equipment and intangible assets | - | (336) | (336) |
| Provisions for pension funds and workforce reduction plans | - | 16 | 16 |
| Other provisions | - | (3) | (3) |
| Tax loss carryforwards | - | 14 | 14 |
| Unused tax credits | - | 5 | 5 |
| Accelerated depreciation and amortisation of assets for tax purposes | - | (64) | (64) |
| Others | - | (48) | (48) |
| Recognition in equity, of which: | - | 9 | 9 |
| Provisions for pension funds and workforce reduction plans | - | (34) | (34) |
| Others | - | 43 | 43 |
| Tax impact in the year | 438 | (407) | 31 |

During the years 2020 and 2019 the deductions and credits allocated to results were the following:

Millions of euros

| | 2020 | 2019 |
|--|-----------|-----------|
| Deductions for Investments in New Fixed Assets in the Canary Islands | 41 | 12 |
| Deductions for Donations to Non-Profit Entities | 11 | 3 |
| Tax credit for the production of tangible assets in the Canary Islands | 10 | 13 |
| Tax credit for Income Obtained in Ceuta and Melilla | 3 | 3 |
| Total Deductions and Credits Recognised in Profit and Loss | 65 | 31 |

32. Statement of cash flows.

At 31 December 2020, cash and cash equivalents stood at Euros 403 million (Euros 223 million at 31 December 2019) (see Note 13).

In 2020 and 2019, ENDESA's net cash flows, broken down into operating, investing and financing activities, were as follows:

Millions of euros

| | Statement of cash flows | |
|--|-------------------------|---------|
| | 2020 | 2019 |
| Net cash flows from operating activities | 2,951 | 3,181 |
| Net cash flows from/(used in) investing activities | (1,726) | (1,951) |
| Net cash flows from/(used in) financing activities | (1,045) | (1,251) |

In financial year 2020, the net cash flows generated by operating activities (Euros 2,951 million) made it possible to meet net payments for investment activities (Euros 1,726 million) and financing activities (Euros 1,045 million).

32.1. Net cash flows from operating activities

In 2020, net cash flows from operating activities amounted to Euros 2,951 million (Euros 3,181 million in 2019), details as follows:

Millions of euros

| | Notes | 2020 | 2019 |
|--|-------|--------------|--------------|
| Gross Profit Before Taxes and Non-Controlling Interests | | 1,788 | 230 |
| Adjustments for: | | 2,153 | 3,981 |
| Depreciation and amortisation and impairment losses | 28 | 1,897 | 3,453 |
| Other adjustments (net) | | 256 | 528 |
| Changes in working capital: | | (413) | (230) |
| Trade and other receivables | | 31 | (157) |
| Inventories | | (225) | (296) |
| Current financial assets | | 28 | (85) |
| Trade payables and other current liabilities ⁽¹⁾ | | (247) | 308 |
| Other cash flows from/(used in) operating activities: | | (577) | (800) |
| Interest received | | 34 | 27 |
| Dividends received | | 28 | 26 |
| Interest paid ⁽²⁾ | | (152) | (136) |
| Corporation tax paid | | (229) | (440) |
| Other proceeds from/(payments for) operating activities ⁽³⁾ | | (258) | (277) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | | 2,951 | 3,181 |

(1) ENDESA, as part of its commitment to society, has designed a Public Responsibility Plan for direct aid to the purchase of material, special supply conditions and donations to alleviate the main health and social needs caused by the COVID-19 health crisis. The amount disbursed under this head comes to Euros 25 million (Euros 22 million net of the tax effect) (see Notes 2.2.1, 27, 33.2.1 and 38).

(2) Includes interest paid on financial liabilities for right of use assets for Euros 33 million and Euros 30 million respectively.

(3) Corresponding to provisions payments.

The variations in the various items determining the net cash flows from operating activities include:

- The lower gross profit before tax and non-controlling interests net of depreciation and amortisation and other adjustments for the period (Euros 270 million).
- Changes in working capital between the two years amounting to Euros 183 million as a consequence, mainly, of the increase in trade payables (Euros 555 million), the positive evolution of trade and other receivables (Euros 188 million), lower payments for inventories (Euros 71 million) and the positive evolution of regulatory items receivable amounting to Euros 113 million (Euros 264 million, positive, in respect of the tariff deficit, Euros 90 million, negative, for compensation for the extra costs of generation in Non-mainland Territories (“TNP”) and Euros 61 million euros, negative, for the remuneration for investment in renewable energy).
- The variation in corporation tax in both years amounting to Euros 211 million.

In 2020, the Company also continued with its active policy concerning the management of current assets and current liabilities, focusing on, among other aspects, the improvement of processes, the factoring of accounts receivable and agreements extending payment periods with suppliers (see Notes 12 and 22).

At 31 December 2020 and 2019, working capital broke down as follows:

Millions of euros

| | Notes | Working Capital | |
|--|-------------------|------------------|------------------|
| | | 31 December 2020 | 31 December 2019 |
| Current Assets ⁽¹⁾ | | 5,831 | 5,877 |
| Inventories | 11 | 1,077 | 1,177 |
| Trade and other receivables | 12 | 3,577 | 3,485 |
| Current financial assets | 18 | 1,177 | 1,215 |
| Compensation for Extra Costs of Generation in Non-mainland Territories (“TNP”) | | 602 | 561 |
| Collection Rights for the Financing of the Deficit of Regulated Activities | | 277 | 389 |
| Remuneration of Distribution Activity | | 246 | 178 |
| Others | | 52 | 87 |
| Current Liabilities ⁽²⁾ | | 7,183 | 7,510 |
| Current provisions | 23 | 477 | 576 |
| Trade Payables and Other Current Liabilities | 22 | 6,706 | 6,934 |
| Parent Company Dividend | 14.1.10 & 14.1.12 | 741 | 741 |
| Others | | 5,965 | 6,193 |

(1) Does not include “Cash and cash equivalents” or “Financial Asset Derivatives” corresponding to financial debt.

(2) Does not include “Current Financial Debt” or “Financial Liability Derivatives” corresponding to financial debt.

32.2. Net cash flows used in investing activities

During 2020, net cash flows used in investing activities amounted to Euros 1,726 million (Euros 1,951 million in 2019) and included, *inter alia*:

- Net cash payments used to acquire property, plant and equipment and intangible assets:

Millions of euros

| | Notes | 2020 | 2019 |
|---|-------|----------------|---------------------------|
| Acquisition of Property, Plant and Equipment and Intangible Assets | | (1,704) | (1,821) |
| Acquisition of Property, Plant and Equipment ⁽¹⁾ | 6.2 | (1,407) | (1,791) |
| Acquisition of intangible assets | 8.1 | (234) | (234) |
| Facilities transferred from customers | | 29 | 45 |
| Suppliers of property, plant and equipment | | (92) | 159 |
| Proceeds from sales of property, plant and equipment and intangible assets | | 49 | 94 ⁽²⁾ |
| Grants and other deferred income | | 106 | 137 ⁽³⁾ |
| TOTAL | | (1,549) | (1,590) |

(1) Not including recognition of right-of-use assets amounting to Euros 182 million.

(2) Included Euros 70 million corresponding to the transaction assigning the rights to use the surplus fibre optics (see Note 30).

(3) Included Euros 50 million corresponding to advance receipt in respect of the obligation to transfer the rights of use relating to the surplus optical fibre (see Note 30).

- Net cash payments for investments and/or receipts from disposals of holdings in Group companies:

Millions of euros

| | Notes | 2020 | 2019 |
|--|-------------------|-------------|-------------|
| Equity investments in Group Companies | | (17) | (37) |
| Companies acquired by ENEL Green Power España, S.L.U. (EGPE) | 2.3.1, 5 & 8 | (14) | (37) |
| Suggestion Power, Unipessoal, Lda. | 2.3.1, 5 & 8 | (3) | - |
| Disposals of investments in Group Companies | | 21 | - |
| ENDESA Soluciones, S.L. | 2.3.1, 2.4 & 10.1 | 21 | - |
| TOTAL | | 4 | (37) |

32.3. Net cash flows used in financing activities.

During 2020, net cash flows from/(used in) financing activities amounted to Euros 1,045 million (Euros 1,251 million in 2019) and mainly include the following aspects:

- Cash flows in respect of equity instruments:

Millions of euros

| | Notes | 2020 | 2019 |
|--|--------|----------|-----------|
| Treasury shares | 14.1.8 | (2) | - |
| Contribution of Funds, San Francisco de Borja, S.A. | 14.2 | 3 | - |
| Capital reduction of Énergie Électrique de Tahhadart, SA | 10.1 | 3 | - |
| Funds contribution by Bosa del Ebro, S.L. | 14.2 | - | 10 |
| TOTAL | | 4 | 10 |

- Drawdowns of non-current financial debt:

Millions of euros

| | Notes | 2020 | 2019 |
|--|--------|------------|------------|
| Drawdowns on the loan from Caixabank, S.A., Bankia, S.A. and Kutxabank, S.A. | 17.2.2 | 300 | - |
| Drawdowns on credit lines with ENEL Finance International, N.V. | 17.2.2 | 500 | - |
| Drawdowns of the European Investment Bank (EIB) Green Loan | | 35 | 335 |
| Drawdowns of the Official Credit Institute (ICO) Green Loan | | - | 300 |
| Drawdowns of other credit lines | | - | - |
| Others | | 8 | 35 |
| TOTAL | 17.1 | 843 | 670 |

– Reimbursements from non-current financial debt:

Millions of euros

| | Notes | 2020 | 2019 |
|--|-------------|--------------|--------------|
| Repayments of ENEL Finance International N.V. credit lines | 17.2.2 | (500) | - |
| Repayment of other credit lines | | (68) | (172) |
| Repayments of European Investment Bank (EIB) Green Loan | | - | (6) |
| Others | | (7) | (19) |
| TOTAL | 17.1 | (575) | (197) |

– Amortisation and drawdowns of current financial debt:

Millions of euros

| | Notes | 2020 | 2019 |
|---|-------------|------------|--------------|
| Drawdowns | | | |
| Euro Commercial Paper (ECP) issues | 17.2.2 | 13,913 | 10,848 |
| Others | | 67 | 77 |
| Amortisation | | | |
| Euro Commercial Paper (ECP) repayments | 17.2.2 | (13,548) | (10,956) |
| Payments of Right-of-Use Contracts | | (73) | (57) |
| Repayments of European Investment Bank (EIB) Green Loan | | (46) | - |
| Others | | (58) | (126) |
| TOTAL | 17.1 | 255 | (214) |

– Dividends paid:

Millions of euros

| | Notes | 2020 | 2019 |
|--|-------------------|----------------|----------------|
| Dividends of the Parent paid | 14.1.10 & 14.1.12 | (1,562) | (1,511) |
| Dividends paid to non-controlling interests ⁽¹⁾ | 14.2 | (10) | (9) |
| TOTAL | | (1,572) | (1,520) |

(1) Corresponding to companies of ENEL Green Power España, S.L.U. (EGPE).

33. Segment information.

33.1. Basis of segmentation.

In carrying out its business activities, ENDESA's organisation prioritises its core business of electricity and gas generation, distribution and supply as well as related services. Therefore, the financial information analysed by the executive committee for the purposes of taking its decisions is the segment information, which includes:

- Generation, together with supply;
- Distribution;
- Structure, mainly including the balances and transactions of holding companies and financing and service provision companies; and
- Consolidation adjustments and eliminations, including the inter-segment consolidation eliminations and adjustments.

The corporate organisation of ENDESA essentially matches these segments. Therefore, the allocation established in the Segment reporting presented below is based on the financial information of the companies making up each Segment. Transactions between Segments form part of normal business activities in terms of their purpose and terms and conditions.

Transactions between Segments form part of normal business activities in terms of their purpose and terms and conditions.

No external customer represented 10% or more of the revenues of any ENDESA segment in 2020 or 2019.

33.2. Segment information.

Segment information in the Consolidated Income Statements and Consolidated Statements of Cash Flows for the years ended 31 December 2020 and 2019 and the Consolidated Statements of Financial Position at 31 December 2020 and 2019 is as follows:

33.2.1. Segment Information: Consolidated Statement of Financial Position at 31 December 2020 and Consolidated Income Statement for the year ended 31 December 2020.

Millions of euros

| | 31 December 2020 | | | | |
|--|-----------------------|---------------|---------------|---|---------------|
| | Generation and Supply | Distribution | Structure | Consolidated adjustments and eliminations | Total |
| ASSETS | | | | | |
| Non-current assets | 13,046 | 13,420 | 29,814 | (30,452) | 25,828 |
| Property, plant and equipment | 9,191 | 11,983 | 180 | - | 21,354 |
| Investment Property | - | 52 | 6 | - | 58 |
| Intangible assets | 1,092 | 183 | 124 | - | 1,399 |
| Goodwill (Note 9) | 361 | 97 | 4 | - | 462 |
| Investments accounted for using the equity method | 194 | 20 | 3 | - | 217 |
| Non-current Financial Assets | 1,285 | 777 | 29,341 | (30,456) | 947 |
| Deferred tax assets | 923 | 308 | 156 | 4 | 1,391 |
| Current assets | 4,859 | 1,353 | 1,236 | (1,214) | 6,234 |
| Inventories | 957 | 120 | - | - | 1,077 |
| Trade and other accounts receivable | 3,089 | 717 | 973 | (1,202) | 3,577 |
| Current Financial Assets | 652 | 515 | 22 | (12) | 1,177 |
| Cash and Cash Equivalents | 161 | 1 | 241 | - | 403 |
| Non-current assets held for sale and discontinued operations | - | - | - | - | - |
| TOTAL ASSETS | 17,905 | 14,773 | 31,050 | (31,666) | 32,062 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | 5,542 | 2,512 | 18,224 | (18,813) | 7,465 |
| Of the Parent | 5,400 | 2,504 | 18,224 | (18,813) | 7,315 |
| Of Non-Controlling Interests | 142 | 8 | - | - | 150 |
| Non-Current liabilities | 7,913 | 9,600 | 10,143 | (11,614) | 16,042 |
| Deferred income | 43 | 4,564 | - | (90) | 4,517 |
| Non-current provisions | 2,375 | 933 | 341 | 55 | 3,704 |
| Non-current Financial Debt | 4,459 | 3,348 | 9,657 | (11,527) | 5,937 |
| Other non-current Liabilities | 353 | 476 | 80 | (78) | 831 |
| Deferred tax liabilities | 683 | 279 | 65 | 26 | 1,053 |
| Current liabilities | 4,450 | 2,661 | 2,683 | (1,239) | 8,555 |
| Current Financial Debt | 129 | 8 | 1,277 | (42) | 1,372 |
| Current provisions | 343 | 83 | 51 | - | 477 |
| Trade Payables and Other Current Liabilities | 3,978 | 2,570 | 1,355 | (1,197) | 6,706 |
| Liabilities Associated with Non-current Assets Classified as held for Sale and Discontinued Operations | - | - | - | - | - |
| TOTAL EQUITY AND LIABILITIES | 17,905 | 14,773 | 31,050 | (31,666) | 32,062 |

Millions of euros

| | 2020 | | | | |
|--|------------------------------|------------------|---------------|--|-----------------|
| | Generation and Supply (1) | Distribution (2) | Structure (3) | Consolidated adjustments and eliminations | Total |
| INCOME | 15,215 | 2,720 | 563 | (919) | 17,579 |
| Sales (Note 24.1) | 14,510 | 2,461 | 546 | (873) | 16,644 |
| Other operating income (Note 24.2) | 705 | 259 | 17 | (46) | 935 |
| PROCUREMENTS AND SERVICES | (11,686) | (174) | (44) | 331 | (11,573) |
| Energy purchases | (3,802) | (6) | - | 177 | (3,631) |
| Fuel consumption | (1,100) | - | - | - | (1,100) |
| Transmission expenses | (4,984) | (12) | - | (4) | (5,000) |
| Other Variable Procurements and Services | (1,800) | (156) | (44) | 158 | (1,842) |
| CONTRIBUTION MARGIN | 3,529 | 2,546 | 519 | (588) | 6,006 |
| Self-constructed Assets | 107 | 148 | 20 | - | 275 |
| Personnel Expenses | (566) (4) | (302) (5) | (296) (6) | 17 | (1,147) |
| Other Fixed Operating Expenses (7) | (1,129) | (420) | (373) | 571 | (1,351) |
| GROSS OPERATING PROFIT (EBITDA) | 1,941 | 1,972 | (130) | - | 3,783 |
| Depreciation, Amortisation and Impairment Losses | (1,199) | (635) | (63) | - | (1,897) |
| OPERATING PROFIT (EBIT) | 742 | 1,337 | (193) | - | 1,886 |
| NET FINANCE INCOME/(EXPENSE) | (71) | (56) | (7) | - | (134) |
| Finance Income | 32 | 13 | 610 | (627) | 28 |
| Finance Expense | (115) | (69) | (617) | 627 | (174) |
| Net Exchange Differences | 12 | - | - | - | 12 |
| Net Profit/(Loss) of Companies accounted for using the Equity Method | 28 | 6 | - | - | 34 |
| Gains/(losses) on other investments | - | - | 2,585 | (2,585) | - |
| Net gains/(losses) on disposal of assets | (15) | 17 | - | - | 2 |
| PROFIT/(LOSS) BEFORE TAX | 684 | 1,304 | 2,385 | (2,585) | 1,788 |
| Corporate Income tax | (121) | (314) | 47 | - | (388) |
| PROFIT AFTER TAX FROM CONTINUING OPERATIONS | 563 | 990 | 2,432 | (2,585) | 1,400 |
| PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS | - | - | - | - | - |
| PROFIT/(LOSS) FOR THE YEAR | 563 | 990 | 2,432 | (2,585) | 1,400 |
| Parent company | 558 | 989 | 2,432 | (2,585) | 1,394 |
| Non-controlling interests | 5 | 1 | - | - | 6 |

(1) Includes impairment losses on property, plant and equipment (Euros 321 million), net impairment losses on trade receivables (Euros 114 million) and net reversal of impairment losses on other financial assets (7 million Euros) (see Notes 6, 12.1, 18.1.1, 28 and 29).

(2) Includes impairment losses on investment property (Euros 1 million), net impairment losses on trade receivables (Euros 7 million) and reversals of impairment losses on intangible assets (2 million Euros) and other financial assets (Euros 12 million) (see Notes 7, 8, 12.1, 18.1.1, 28 and 29).

(3) Includes impairment losses on property, plant and equipment (2 million Euros) and investment property (Euros 1 million), net impairment losses on other financial assets (1 million Euros) and net reversal of impairment losses on trade receivables (Euros 1 million) (see Notes 6, 8, 12.1, 18.1.1, 28 and 29).

(4) Includes the income recognised as a result of the change in employee benefits arising from the entry into force of ENDESA's "V Framework Collective Agreement" amounting to Euros 215 million (see Note 16.1). It also includes provisions for workforce restructuring plans related to the Decarbonization Plan, the Digitalization of Processes and the "V ENDESA Framework Collective Agreement" amounting to Euros 206 million, Euros 75 million and Euros 29 million, respectively, under the "Agreement on Voluntary Measures for the Suspension or Termination of Employment Contracts" (see Note 16.2.2).

(5) Includes the income recorded as a result of the change in employee benefits arising from the entry into force of the "V ENDESA Framework Collective Agreement" amounting to Euros 269 million (see Note 16.1). It also includes the provisions for workforce restructuring plans related to the Digitalization of Processes and the "V ENDESA Framework Collective Agreement" amounting to Euros 224 million and Euros 91 million, respectively, under the "Agreement on Voluntary Measures for the Suspension or Termination of Employment Contracts" (see Note 16.2.2).

(6) Includes the income recorded as a result of the change in employee benefits arising from the entry into force of the "V ENDESA Framework Collective Agreement" amounting to Euros 31 million (see Note 16.1). It also includes provisions for workforce restructuring plans related to the Decarbonization Plan, the Digitalization of Processes and the "V ENDESA Framework Collective Bargaining Agreement" amounting to Euros 7 million, Euros 88 million and Euros 39 million, respectively, under the "Agreement on Voluntary Measures for the Suspension or Termination of Employment Contracts" (see Note 16.2.2).

(7) Includes Euros 25 million (Euros 22 million, net of tax effect) relating to the Public Responsibility Plan designed by ENDESA, as part of its commitment to society, for direct aid for the purchase of material, special supply conditions and donations to alleviate the main health and social needs caused by the COVID-19 health crisis (see Notes 2.2.1, 32.1 and 38).

33.2.2. Segment Information: Consolidated Statement of Financial Position at 31 December 2019 and Consolidated Income Statement for the year ended 31 December 2019.

Millions of euros

| | 31 December 2019 | | | | Total |
|--|-----------------------|---------------|---------------|---|---------------|
| | Generation and Supply | Distribution | Structure | Consolidated adjustments and eliminations | |
| ASSETS | | | | | |
| Non-current assets | 13,514 | 13,592 | 30,429 | (31,654) | 25,881 |
| Property, plant and equipment | 9,231 | 11,968 | 130 | - | 21,329 |
| Investment Property | - | 55 | 6 | - | 61 |
| Intangible assets | 1,027 | 213 | 135 | - | 1,375 |
| Goodwill (Note 9) | 361 | 97 | 4 | - | 462 |
| Investments accounted for using the equity method | 211 | 18 | 3 | - | 232 |
| Non-current Financial Assets | 1,638 | 920 | 30,015 | (31,665) | 908 |
| Deferred tax assets | 1,046 | 321 | 136 | 11 | 1,514 |
| Current assets | 4,940 | 1,380 | 1,527 | (1,747) | 6,100 |
| Inventories | 1,064 | 113 | - | - | 1,177 |
| Trade and other accounts receivable | 3,038 | 710 | 1,460 | (1,723) | 3,485 |
| Current Financial Assets | 664 | 541 | 34 | (24) | 1,215 |
| Cash and Cash Equivalents | 174 | 16 | 33 | - | 223 |
| Non-current assets held for sale and discontinued operations | - | - | - | - | - |
| TOTAL ASSETS | 18,454 | 14,972 | 31,956 | (33,401) | 31,981 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | 6,079 | 3,108 | 17,524 | (18,874) | 7,837 |
| Of the Parent | 5,937 | 3,101 | 17,524 | (18,874) | 7,688 |
| Of Non-Controlling Interests | 142 | 7 | - | - | 149 |
| Non-Current liabilities | 7,468 | 8,926 | 12,099 | (12,814) | 15,679 |
| Deferred income | 42 | 4,553 | - | (19) | 4,576 |
| Non-current provisions | 2,420 | 948 | 295 | 23 | 3,686 |
| Non-current Financial Debt | 4,098 | 2,631 | 11,724 | (12,801) | 5,652 |
| Other non-current Liabilities | 200 | 476 | 22 | (20) | 678 |
| Deferred tax liabilities | 708 | 318 | 58 | 3 | 1,087 |
| Current liabilities | 4,907 | 2,938 | 2,333 | (1,713) | 8,465 |
| Current Financial Debt | 102 | 8 | 876 | (31) | 955 |
| Current provisions | 444 | 74 | 58 | - | 576 |
| Trade Payables and Other Current Liabilities | 4,361 | 2,856 | 1,399 | (1,682) | 6,934 |
| Liabilities Associated with Non-current Assets Classified as held for Sale and Discontinued Operations | - | - | - | - | - |
| TOTAL EQUITY AND LIABILITIES | 18,454 | 14,972 | 31,956 | (33,401) | 31,981 |

Millions of euros

| | 2019 | | | | Total |
|--|--------------------------------------|-----------------------------|--------------|---|-----------------|
| | Generation and Supply ⁽¹⁾ | Distribution ⁽²⁾ | Structure | Consolidated adjustments and eliminations | |
| INCOME | 17,537 | 2,828 | 638 | (845) | 20,158 |
| Sales ^(Note 24.1) | 16,846 | 2,566 | 620 | (774) | 19,258 |
| Other operating income ^(Note 24.2) | 691 | 262 | 18 | (71) | 900 |
| PROCUREMENTS AND SERVICES | (14,204) | (182) | (44) | 178 | (14,252) |
| Energy purchases | (4,895) | (9) | - | - | (4,904) |
| Fuel consumption | (1,780) | - | - | - | (1,780) |
| Transmission expenses | (5,289) | (13) | - | - | (5,302) |
| Other Variable Procurements and Services | (2,240) | (160) | (44) | 178 | (2,266) |
| CONTRIBUTION MARGIN | 3,333 | 2,646 | 594 | (667) | 5,906 |
| Self-constructed Assets | 96 | 175 | 24 | - | 295 |
| Personnel Expenses | (542) | (280) | (215) | 15 | (1,022) |
| Other Fixed Operating Expenses | (1,117) | (442) | (427) | 648 | (1,338) |
| GROSS OPERATING PROFIT (EBITDA) | 1,770 | 2,099 | (24) | (4) | 3,841 |
| Depreciation, Amortisation and Impairment Losses | (2,759) | (626) | (68) | - | (3,453) |
| OPERATING PROFIT (EBIT) | (989) | 1,473 | (92) | (4) | 388 |
| NET FINANCE INCOME/(EXPENSE) | (115) | (63) | (6) | - | (184) |
| Finance Income | 29 | 5 | 458 | (465) | 27 |
| Finance Expense | (139) | (68) | (470) | 465 | (212) |
| Net Exchange Differences | (5) | - | 6 | - | 1 |
| Net Profit/(Loss) of Companies accounted for using the Equity Method | 11 | 4 | - | - | 15 |
| Gains/(losses) on other investments | - | - | 1,731 | (1,731) | - |
| Net gains/(losses) on disposal of assets | (19) | 30 | - | - | 11 |
| PROFIT/(LOSS) BEFORE TAX | (1,112) | 1,444 | 1,633 | (1,735) | 230 |
| Corporate Income tax | 297 | (366) | 18 | 1 | (50) |
| PROFIT AFTER TAX FROM CONTINUING OPERATIONS | (815) | 1,078 | 1,651 | (1,734) | 180 |
| PROFIT AFTER TAX FROM DISCONTINUED OPERATIONS | - | - | - | - | - |
| PROFIT/(LOSS) FOR THE YEAR | (815) | 1,078 | 1,651 | (1,734) | 180 |
| Parent company | (823) | 1,077 | 1,651 | (1,734) | 171 |
| Non-controlling interests | 8 | 1 | - | - | 9 |

(1) Includes additions to the provisions for impairment of property, plant and equipment (Euros 1,757 million), goodwill (Euros 17 million), trade insolvencies (Euros 135 million) and other financial assets (Euros 22 million) (see Notes 6, 9, 12.1, 18.1.1, 28 and 29).

(2) Includes reversals of impairment of intangible assets (Euros 5 million) and trade insolvencies (Euros 7 million) and additions to provisions for impairment of other financial assets (Euros 2 million) (see Notes 8, 12.1, 18.1.1 and 28).

33.2.3. Segment Information: Consolidated Statements of Cash Flows for the years ended 31 December 2020 and 2019.

Millions of euros

| Statement of cash flows | 2020 | | | | 2019 | | | |
|--|-----------------------|--------------|-------------------------------------|----------------------|-----------------------|--------------|-------------------------------------|----------------------|
| | Generation and Supply | Distribution | Structure, Services and Adjustments | TOTAL ⁽¹⁾ | Generation and Supply | Distribution | Structure, Services and Adjustments | TOTAL ⁽¹⁾ |
| Net cash flows from operating activities | 1,520 | 1,888 | (457) | 2,951 | 1,602 | 1,659 | (80) | 3,181 |
| Net cash flows from/(used in) investing activities | (549) | (636) | (541) | (1,726) | (1,614) | (747) | 410 | (1,951) |
| Net cash flows from/(used in) financing activities | (984) | (1,266) | 1,205 | (1,045) | (38) | (902) | (311) | (1,251) |

(1) See Note 32.

33.2.4. Segment Information: Results of the Parent Company by geographical regions for the years ended 31 December 2020 and 2019.

Millions of euros

| Country | 2020 | 2019 |
|--------------|--------------|------------|
| Spain | 1,368 | 112 |
| Portugal | 38 | 33 |
| Germany | 2 | 1 |
| Morocco | 1 | 2 |
| France | (5) | 23 |
| Netherlands | (10) | - |
| TOTAL | 1,394 | 171 |

34. Related party balances and transactions.

Related parties are parties over which ENDESA, directly or indirectly via one or more intermediate companies, exercises control or joint control or has significant influence, or which are key members of the ENDESA management team.

Key members of the ENDESA management team are those with the authority and responsibility to plan, direct and control ENDESA's business either directly or indirectly, including any member of the Board of Directors.

Transactions between the Company and its subsidiaries and joint operation entities, which are related parties, form part of the Company's normal business activities (in terms of their purpose and conditions) and have been eliminated on consolidation. Therefore, they are not disclosed in this Note.

For information purposes, all companies belonging to the ENEL Group and not included in ENDESA's Consolidated Financial Statements were considered significant shareholders.

In 2020, the amount of transactions carried out with other related parties of certain members of the Board of Directors, did not exceed Euros 9 million combined (Euros 19 million in 2019). These transactions correspond to the Company's normal business activities and were in all cases carried out under normal market conditions.

All transactions with related parties are at arm's length.

34.1. Expenses and income and other transactions.

Significant balances and transactions carried out with related parties in 2020 and 2019 were as follows:

34.1.1. Expenses and income.

| | 2020 | | | | Total |
|---|--------------------------|---|---|-----------------------|------------|
| | Significant shareholders | Directors and Senior management personnel | ENDESA employees, companies or Entities | Other related parties | |
| Financial expense | 97 | - | - | - | 97 |
| Leases | - | - | - | - | - |
| Services received | 44 | - | - | 7 | 51 |
| Purchases of inventories | 59 | - | - | - | 59 |
| Other expenses ⁽¹⁾ | 454 | - | - | - | 454 |
| Negative changes in the fair value of the derivative financial instruments for electricity and other energy products. | 296 | - | - | - | 296 |
| Energy purchased | 97 | - | - | - | 97 |
| Management or cooperation contracts | 61 | - | - | - | 61 |
| TOTAL EXPENSES | 654 | - | - | 7 | 661 |
| Financial Income | 4 | - | - | - | 4 |
| Dividends received | - | - | - | - | - |
| Provision of services | 14 | - | - | 2 | 16 |
| Sales of inventories | 92 | - | - | - | 92 |
| Other income | 364 | - | - | - | 364 |
| Positive changes in the fair value of the derivative financial instruments for electricity and other energy products. | 357 | - | - | - | 357 |
| Power sales | 4 | - | - | - | 4 |
| Management or cooperation contracts | 2 | - | - | - | 2 |
| Leases | 1 | - | - | - | 1 |
| TOTAL INCOME | 474 | - | - | 2 | 476 |

(1) Includes Euros 14 million recognised in the Consolidated Statement of Other Comprehensive Income.

Millions of euros

| | 2019 | | | | |
|---|--------------------------|---|---|-----------------------|--------------|
| | Significant shareholders | Directors and Senior management personnel | ENDESA employees, companies or Entities | Other related parties | Total |
| Financial expense | 94 | - | - | - | 94 |
| Leases | - | - | - | - | - |
| Services received | 43 | - | - | 17 | 60 |
| Purchases of inventories | 174 | - | - | - | 174 |
| Other Expenses | 831 | - | - | - | 831 |
| Negative changes in the fair value of the derivative financial instruments for electricity and other energy products. | 689 | - | - | - | 689 |
| Energy purchased | 81 | - | - | - | 81 |
| Management or cooperation contracts | 61 | - | - | - | 61 |
| TOTAL EXPENSES | 1,142 | - | - | 17 | 1,159 |
| Financial Income | 2 | - | - | - | 2 |
| Dividends received | - | - | - | - | - |
| Provision of services | 14 | - | - | 2 | 16 |
| Sales of inventories | 141 | - | - | - | 141 |
| Other income ⁽¹⁾ | 502 | - | - | - | 502 |
| Positive changes in the fair value of the derivative financial instruments for electricity and other energy products. | 494 | - | - | - | 494 |
| Power sales | 5 | - | - | - | 5 |
| Management or cooperation contracts | 2 | - | - | - | 2 |
| Leases | 1 | - | - | - | 1 |
| TOTAL INCOME | 659 | - | - | 2 | 661 |

(1) Includes Euros 65 million recognised in the Consolidated Statement of Other Comprehensive Income.

34.1.2. Other transactions.

Millions of euros

| | Notes | 2020 | | | | Total |
|---|-------------------|--------------------------|---|---|-----------------------|-------|
| | | Significant shareholders | Directors and Senior management personnel | ENDESA employees, companies or Entities | Other related parties | |
| Financing agreements: Loans and capital contributions (lender) | | - | 1 | - | - | 1 |
| Financing agreements: Loans and capital contributions (borrower) ⁽¹⁾ | | 3,700 | - | - | - | 3,700 |
| Guarantees provided | 34.3.1 | - | 7 | - | - | 7 |
| Guarantees received ⁽²⁾ | 11.2 | 112 | - | - | - | 112 |
| Commitments acquired ⁽³⁾ | 11.2 | 96 | - | - | - | 96 |
| Dividends and other Distributed Benefits | 14.1.10 & 14.1.12 | 1,095 | - | - | - | 1,095 |
| Other Operations ⁽⁴⁾ | | 151 | - | - | - | 151 |

(1) Corresponds to the outstanding balance of the intercompany loan signed with ENEL Finance International N.V. Additionally ENDESA has two committed and irrevocable credit lines arranged with ENEL Finance International N.V. for the amount of Euros 1,000 million and Euros 700 million, respectively, which at 31 December 2020 had not been drawn down (see Notes 17.2.1 and 17.2.2).

(2) Includes the guarantee received from ENEL, S.p.A. for the fulfilment of the contract for the purchase of liquefied natural gas (LNG) from Corpus Christi Liquefaction, LLC.

(3) Corresponds to commitments to purchase stocks of carbon dioxide (CO₂) emission rights.

(4) Includes purchases of property, plant and equipment, intangible and other assets

Millions of euros

| | Notes | 2019 | | | | Total |
|---|-------------------|--------------------------|---|---|-----------------------|-------|
| | | Significant shareholders | Directors and Senior management personnel | ENDESA employees, companies or Entities | Other related parties | |
| Financing agreements: Loans and capital contributions (lender) | | - | 1 | - | - | 1 |
| Financing agreements: Loans and capital contributions (borrower) ⁽¹⁾ | | 3,000 | - | - | - | 3,000 |
| Guarantees provided | 34.3.1 | - | 7 | - | - | 7 |
| Guarantees received ⁽²⁾ | 11.2 | 122 | - | - | - | 122 |
| Commitments acquired ⁽³⁾ | 11.2 | 19 | - | - | - | 19 |
| Dividends and other Distributed Benefits | 14.1.10 & 14.1.12 | 1,059 | - | - | - | 1,059 |
| Other Operations ⁽⁴⁾ | | 148 | - | - | - | 148 |

(1) Corresponds to the outstanding balance of the intercompany loan signed with ENEL Finance International N.V. Additionally, ENDESA has a committed and irrevocable credit line arranged with ENEL Finance International N.V. for the amount of Euros 1,000 million, which at 31 December 2019 had not been drawn down (see Notes 17.2.1 and 19.4).

(2) Includes the guarantee received from ENEL, S.p.A. for the fulfilment of the contract for the purchase of liquefied natural gas (LNG) from Corpus Christi Liquefaction, LLC.

(3) Corresponds to commitments to purchase stocks of carbon dioxide (CO₂) emission rights.

(4) Includes purchases of property, plant and equipment, intangible and other assets

In 2020 and 2019, Directors or persons acting on their behalf did not carry out transactions with the Company (or its other subsidiaries) that did not correspond to the normal course of business or were not carried out in keeping with prevailing market conditions.

34.1.3. Balances at the end of the period.

At 31 December 2020 and 2019, balances with related parties were as follows:

Millions of euros

| | | 31 December 2020 | | | | |
|---------------------------------|--------------------------|---|---|-----------------------|--------------|--|
| Notes | Significant shareholders | Directors and Senior management personnel | ENDESA employees, companies or Entities | Other related parties | Total | |
| Customers and trade receivables | 12 | 624 | - | - | 624 | |
| Loans and credits granted | | - | 1 | - | 1 | |
| Other collection rights | | 520 | - | - | 520 | |
| TOTAL RECEIVABLES | | 1,144 | 1 | - | 1,145 | |
| Suppliers and trade payables | | 1,233 | - | - | 1,233 | |
| Loans and credits received | | 3,002 | - | - | 3,002 | |
| Other payment obligations | | 504 | - | - | 504 | |
| TOTAL PAYABLES | | 4,739 | - | - | 4,739 | |

Millions of euros

| | | 31 December 2019 | | | | |
|---------------------------------|--------------------------|---|---|-----------------------|--------------|--|
| Notes | Significant shareholders | Directors and Senior management personnel | ENDESA employees, companies or Entities | Other related parties | Total | |
| Customers and trade receivables | 12 | 582 | - | - | 582 | |
| Loans and credits granted | | - | 1 | - | 1 | |
| Other collection rights | | 365 | - | - | 365 | |
| TOTAL RECEIVABLES | | 947 | 1 | - | 948 | |
| Suppliers and trade payables | | 1,377 | - | 2 | 1,379 | |
| Loans and credits received | | 3,004 | - | - | 3,004 | |
| Other payment obligations | | 310 | - | - | 310 | |
| TOTAL PAYABLES | | 4,691 | - | 2 | 4,693 | |

34.2. Associates, Joint Ventures and Joint Operation Entities.

The following are the details at 31 December 2020 and 2019 of trade receivables for sales and services, loans and guarantees to Associates, Joint Ventures and Joint Operation Entities:

Millions of euros

| Notes | Associates | | Joint Ventures | | Joint Operations | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| | 31 December 2020 | 31 December 2019 | 31 December 2020 | 31 December 2019 | 31 December 2020 | 31 December 2019 |
| Trade receivables for sales and services | 12 | 3 | - | 2 | - | - |
| Credits | 18.1.1 | 61 | 66 | - | - | 3 |
| Guarantees Issued | | - | - | - | - | - |

In 2020 and 2019 transactions made with Associates, Joint Ventures and Joint Operation Entities not eliminated on consolidation were as follows:

Millions of euros

| | Associates | | Joint Ventures | | Joint Operations | |
|----------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 31 December 2020 | 31 December 2019 | 31 December 2020 | 31 December 2019 | 31 December 2020 | 31 December 2019 |
| Income | 2 | 1 | 2 | 2 | - | - |
| Expenses | (15) | (19) | (24) | (24) | (40) | (43) |

34.3. Directors and senior management personnel.

34.3.1. Remuneration of the Board of Directors.

Article 41 of the Articles of Association states that *“the remuneration of Directors will comprise the following items: a fixed monthly salary and per diems for attendance at each meeting of the company’s management bodies and their committees.*

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

The Board itself shall be in charge of determining the exact amount to be paid in each financial 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 functions and responsibilities entrusted to each Director, whether they belong to any of the Board's Committees and all other relevant objective circumstances.

Without prejudice to the foregoing, Article 30 of the Board of Directors' Regulations states that Directors, regardless of their type of Directorship, can waive the right to receive remuneration based on a fixed monthly allocation and/or per diems to attend meetings of the Board of Directors, Executive Committee and/or Committees.

The amount of said per diem shall be, at the most, the amount which, in accordance with the above paragraphs, is determined to be the fixed monthly allocation. The Board of Directors may, within such limit, determine the amount of the allowances.

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

Without prejudice to the above-mentioned remunerations, the Executive Directors remuneration may also consist of the transfer of Company shares, options over them or remuneration based on the value of the shares. The application of this remuneration model requires the agreement of the General Shareholders' Meeting, expressing, where appropriate, the maximum number of shares to be assigned during each financial year as part of this remuneration system, the strike price and the system used to calculate the strike price of share options, the value of the shares taken as a reference, when appropriate, the term of the remuneration plan and any other conditions deemed appropriate.

Thus members of the Board of Directors of ENDESA, S.A. received remuneration in their capacity as Directors of the Company:

- In 2020 and 2019, the monthly fixed salary for each Director was Euros 15.6 thousand, gross.
- The per diems for attendance at meetings of the Board of Directors, Executive Committee, Appointments and Remuneration Committee ("CNR") and Audit and Compliance Committee ("CAC") amounted to Euros 1.5 thousand gross each in 2020 and 2019.
- In addition to the remuneration indicated for the members of the Board of Directors, the following remuneration criteria are established for the positions indicated:
 - Non-executive Chairman of the Board of Directors: shall receive monthly fixed remuneration of Euros 50,000 (gross) (rather than the monthly fixed remuneration of Euros 15,642.56 (gross) provided for other members).
 - Chairmen of Committees: shall receive a monthly fixed remuneration of Euros 1,000 (gross) (in addition to the monthly fixed remuneration as member).
 - Lead Director: shall receive a monthly fixed remuneration of Euros 2,083 (gross) (in addition to the monthly fixed remuneration as member).
- The members of the Board of Directors and executive Directors receive remuneration for performing duties other than in their capacity as Directors in accordance with the salary structure of senior management of ENDESA. The main components of this remuneration are:
 - Fixed annual remuneration: cash remuneration paid monthly in accordance with the complexity and responsibility of the functions entrusted.
 - Short-term variable remuneration: cash remuneration that is not guaranteed and subject to compliance with annual targets established through the Company's assessment systems.

- Long-term variable remuneration: cash remuneration that is not guaranteed and subject to compliance with multi-year targets.
- Social and other benefits: remuneration (normally non-cash) received in accordance with certain, special and specific requirements determined voluntarily, legally, contractually or through collective bargaining.

Remuneration accrued by the Directors.

Remuneration accrued by the Directors in 2020 and 2019 was as follows:

| Item | Directors | |
|--|----------------------|----------------------|
| | Amount | |
| | 2020 | 2019 |
| Remuneration for belonging to the Board of Directors and/or Board Committees | 1,968 | 1,662 |
| Salaries | 929 | 1,060 |
| Variable remuneration in cash | 1,141 ⁽¹⁾ | 2,420 |
| Share-based payment plans | 86 ⁽²⁾ | - |
| Indemnities | - | 9,615 ⁽³⁾ |
| Long-term savings schemes | 485 | 645 |
| Other Items ⁽⁴⁾ | 375 | 3,633 |
| TOTAL | 4,984 | 19,035 |

(1) Corresponding to accrued short-term variable remuneration and accrued long-term variable remuneration for one third of the Loyalty Plans 2018-2020 and 2019-2021 and one third of the Strategic Incentive Plan 2020-2022. The amount paid under this head was Euros 1,300 thousand, corresponding to short-term variable remuneration (Euros 571 thousand) and long-term variable remuneration (Euros 729 thousand corresponding to 30% of the Loyalty Plan 2017-2019 and 70% of the Loyalty Plan 2016-2018).

(2) Corresponding to long-term variable remuneration accrued for one third of the 2020-2022 Strategic Incentive Plan.

(3) This included the indemnification paid to Mr Prado on termination of his contract as Company Chairman on 12 April 2019.

(4) In financial year 2020, it includes allowances and remuneration in kind for Directors amounting to Euros 276 thousand and Euros 99 thousand respectively (Euros 279 thousand and Euros 149 thousand respectively in financial year 2019). Additionally, in 2019 it included compensation to Mr Prado in the amount of Euros 3,205 thousand in respect of a non-competition agreement, a commitment not to hold, for two years, a position in companies with activities similar to those of ENDESA, S.A.

Below are some of the above amounts based on the position held:

Remuneration for belonging to the Board of Directors and/or Board Committees and salaries

Details of the annual fixed remuneration received by the members of the Board of Directors, based on the post held, in 2020 and 2019, are as follows:

| | 2020 | | 2019 | |
|---|---|------------|---|--------------|
| | Remuneration for belonging to the Board of Directors and/or Board | Salaries | Remuneration for belonging to the Board of Directors and/or Board | Salaries |
| Borja Prado Eulate ⁽¹⁾ | - | - | 53 | 320 |
| Juan Sánchez-Calero Guilarte ⁽²⁾ | 604 | - | 432 | - |
| Francesco Starace | - | - | - | - |
| José Bogas Gálvez | - | 929 | - | 740 |
| Alejandro Echevarría Busquet | 188 | - | 188 | - |
| Alberto de Paoli | - | - | - | - |
| Helena Revoredo Delvecchio ⁽³⁾ | 7 | - | 188 | - |
| Miquel Roca Junyent | 221 | - | 225 | - |
| Enrico Viale ⁽⁴⁾ | - | - | - | - |
| Ignacio Garralda Ruiz de Velasco | 200 | - | 200 | - |
| Francisco de Lacerda | 191 | - | 188 | - |
| María Patrizia Grieco | 188 | - | 188 | - |
| Antonio Cammísecra ⁽⁵⁾ | - | - | - | - |
| Eugenia Bieto Caubet ⁽⁶⁾ | 123 | - | - | - |
| Pilar González de Frutos ⁽⁶⁾ | 123 | - | - | - |
| Alicia Koplowitz y Romero de Juseu ⁽⁶⁾ | 123 | - | - | - |
| TOTAL | 1,968 | 929 | 1,662 | 1,060 |

(1) Left on 12 April 2019 at the General Meeting of Shareholders.

(2) Appointed on 12 April 2019 at the General Meeting of Shareholders.

(3) Left on 15 January 2020.

(4) Left on 9 September 2019.

(5) Joined on 27 September 2019.

(6) Joined on 5 May 2020.

Variable remuneration in cash

The variable remuneration accrued in 2020 and 2019 by the Chairman and CEO, for performing his executive tasks, are itemised below:

Thousands of Euros

| | 2020 | | 2019 | |
|-----------------------------------|------------|--------------------------|------------|--------------|
| | Short-term | Long-term | Short-term | Long-term |
| Borja Prado Eulate ⁽¹⁾ | - | - | - | 1,023 |
| José Bogas Gálvez | 571 | 570 | 540 | 857 |
| TOTAL | 571 | 570⁽²⁾ | 540 | 1,880 |

(1) Left on 12 April 2019 at the General Meeting of Shareholders.

(2) Corresponding to the long-term variable remuneration, in cash, accruing for one third of the Loyalty Plans 2018-2020 and 2019-2021 and one third of the Strategic Incentive Plan 2020-2022. The amount paid under this head was Euros 729 thousand (30% of the Loyalty Plan 2017-2019 and 70% of the Loyalty Plan 2016-2018).

Long-term savings systems.

During 2020, the contribution to funds and pension plans of Executive Directors totalled Euros 485 thousand (Euros 645 thousand in 2019).

Other items.

The Executive Directors, as well as the remaining senior managers, receive remuneration in kind, including a group healthcare policy subsidising 100% of the cost of the payment of the holder and dependent family members, the assignment of a company vehicle under a renting system, together with other social benefits.

Attendance fees.

Per diems for attendance at each meeting of the Board of Directors and of its Committees in 2020 and 2019 are as follows:

Thousands of Euros

| | 2020 | | 2019 | |
|---|--------------|-----------------|--------------|-----------------|
| | ENDESA, S.A. | Other companies | ENDESA, S.A. | Other companies |
| Borja Prado Eulate ⁽¹⁾ | - | - | 4 | - |
| Juan Sánchez-Calero Guilarte ⁽²⁾ | 21 | - | 15 | - |
| Francesco Starace | - | - | - | - |
| José Bogas Gálvez | - | - | - | - |
| Alejandro Echevarría Busquet | 38 | - | 44 | - |
| Alberto de Paoli | - | - | - | - |
| Helena Revoredo Delvecchio ⁽³⁾ | - | - | 36 | - |
| Miquel Roca Junyent | 47 | - | 53 | - |
| Enrico Viale ⁽⁴⁾ | - | - | - | - |
| Ignacio Garralda Ruiz de Velasco | 43 | - | 54 | - |
| Francisco de Lacerda | 43 | - | 54 | - |
| Maria Patrizia Grieco | 21 | - | 19 | - |
| Antonio Cammiserá ⁽⁵⁾ | - | - | - | - |
| Eugenia Bieto Caubet ⁽⁶⁾ | 24 | - | - | - |
| Pilar González de Frutos ⁽⁶⁾ | 24 | - | - | - |
| Alicia Koplowitz y Romero de Juseu ⁽⁶⁾ | 15 | - | - | - |
| TOTAL | 276 | - | 279 | - |

(1) Left on 12 April 2019 at the General Meeting of Shareholders.

(2) Appointed on 12 April 2019 at the General Meeting of Shareholders.

(3) Left on 15 January 2020.

(4) Left on 9 September 2019.

(5) Joined on 27 September 2019.

(6) Joined on 5 May 2020.

Life and accident insurance premiums.

Through the Company, Executive Directors have life and accident insurance policy that guarantees certain capital and/or income according to the contingency in question (cover for disability and death).

In 2020, the premium totalled Euros 40 thousand (Euros 237 thousand in 2019).

Advances and loans.

At 31 December 2020 and 2019, loans for the amount of Euros 396 thousand had been extended to Executive Directors, of which Euros 230 thousand corresponded to loans at an average interest rate of 0.187% and Euros 166 thousand to interest-free loans (interest subsidies are treated as remuneration in cash).

Repayment of the principal will be made over the working life of the employee, with full cancellation when they leave the company.

Pension funds and plans: obligations assumed.

At 31 December 2020, Executive Directors held accumulated fund and pension plan rights for the amount of Euros 12,905 thousand (Euros 15,325 thousand at 31 December 2019).

Guarantees provided by the Company to Executive Directors.

At 31 December 2020, as regards remuneration, the Company had issued guarantees on behalf of the Chief Executive Officer amounting to Euros 6,527 thousand to cover early retirement entitlements (Euros 6,555 thousand at 31 December 2019) (See Note 34.1.2).

34.3.2. Remuneration of Senior management.

Identification of members of senior management who are not Executive Directors.

| Name | Senior executives in 2020 |
|--------------------------------|---|
| | Position (1) |
| Ignacio Jiménez Soler (2) | General Manager - Communication |
| Juan María Moreno Mellado | General Manager - Energy Management |
| Andrea Lo Faso (3) | General Manager - People and Organisation |
| Paolo Bondi | General Manager - People and Organisation |
| Rafael González Sánchez | General Manager - Generation |
| Gianluca Caccialupi | General Manager - Infrastructure and Networks. |
| Francisco de Borja Acha Besga | General Secretary to the Board of Directors and General Manager - Legal Counsel and Corporate Affairs |
| Javier Uriarte Monereo | General Manager - Supply |
| José Casas Marín | General Manager - Institutional Relations and Regulation |
| José Luis Puche Castillejo (4) | General Manager - Media |
| Pablo Azcoitia Lorente | General Manager - Media |
| Josep Trabado Farré | General Manager - ENDESA X |
| Gonzalo Carbó de Haya | General Manager - Nuclear Power |
| Patricia Fernández Salís | General Manager - Audit |
| Manuel Fernando Marín Guzmán | General Manager - ICT Digital Solutions |
| María Malaxechevarría Grande | General Manager - Sustainability |
| Ignacio Mateo Montoya (5) | General Manager - Purchasing |
| Luca Passa | General Manager - Administration, Finance and Control |

(1) List of persons included in this table as per the definition of senior management in Spanish National Securities Market Commission ("CNMV") Circular 5/2013, of 12 June 2013.

(2) Joined on 1 January 2020, replacing Alberto Fernández Torres.

(3) Left on 30 June 2020 and was replaced by Paolo Bondi.

(4) Left on 31 July 2020 and was replaced by Pablo Azcoitia.

(5) Joined on 1 August 2020, replacing Pablo Azcoitia.

| Name | Senior executives in 2019 |
|-------------------------------|---|
| | Position (1) |
| Alberto Fernández Torres (2) | General Manager - Communication |
| Juan María Moreno Mellado | General Manager - Energy Management |
| Andrea Lo Faso | General Manager - People and Organisation |
| Rafael González Sánchez | General Manager - Generation |
| Gianluca Caccialupi | General Manager - Infrastructure and Networks. |
| Francisco de Borja Acha Besga | General Secretary to the Board of Directors and General Manager - Legal Counsel and Corporate Affairs |
| Javier Uriarte Monereo | General Manager - Supply |
| José Casas Marín | General Manager - Institutional Relations and Regulation |
| José Luis Puche Castillejo | General Manager - Media |
| Josep Trabado Farré | General Manager - ENDESA X |
| Gonzalo Carbó de Haya | General Manager - Nuclear Power |
| Luca Minzolini (3) | General Manager - Audit |
| Patricia Fernández Salís (4) | General Manager - Audit |
| Manuel Fernando Marín Guzmán | General Manager - ICT Digital Solutions |
| Paolo Bondi | Managing Director |
| María Malaxechevarría Grande | General Manager - Sustainability |
| Pablo Azcoitia Lorente | General Manager - Purchasing |
| Luca Passa | General Manager - Administration, Finance and Control |

(1) List of persons included in this table as per the definition of senior management in Spanish National Securities Market Commission ("CNMV") Circular 5/2013, of 12 June 2013.

(2) Left on 31 December 2019 and was replaced by Ignacio Jiménez Soler.

(3) Left on 28 February 2019 and was replaced by Patricia Fernández Salís.

(4) Joined on 1 March 2019, replacing Luca Minzolini.

Remuneration of Senior management.

During 2020 and 2019, remuneration of senior management members who were not Executive Directors was as follows:

Thousands of Euros

| | Remuneration received | | | |
|---|-----------------------|---------------|---|------|
| | In the Company | | For membership of Boards of Directors of ENDESA Group companies | |
| | 2020 | 2019 | 2020 | 2019 |
| Fixed remuneration | 5,568 | 5,728 | - | - |
| Variable remuneration | 4,539 ⁽¹⁾ | 5,516 | - | - |
| Per Diems for attendance | - | - | - | - |
| Statutory Emoluments | - | - | - | - |
| Options on shares and other financial instruments | 348 ⁽²⁾ | - | - | - |
| Others | 1,498 | 1,798 | - | - |
| TOTAL | 11,953 | 13,042 | - | - |

(1) Corresponding to the short-term variable remuneration accrued and the long-term variable remuneration, in cash, accrued for one third of the 2018-2020 and 2019-2021 Loyalty Plans and one third of the 2020-2022 Strategic Incentive Plan. The amount paid under this head was Euros 4,950 thousand, corresponding to short-term variable remuneration (Euros 2,432 thousand) and long-term variable remuneration (Euros 2,518 thousand corresponding to 30% of the Loyalty Plan 2017-2019 and 70% of the Loyalty Plan 2016-2018).

(2) Corresponding to the accrual of long-term variable remuneration, in shares, accruing for one third of the 2020-2022 Strategic Incentive Plan.

Thousands of Euros

| | Other Benefits | | | |
|--|----------------|--------|---|------|
| | In the Company | | For membership of Boards of Directors of ENDESA Group companies | |
| | 2020 | 2019 | 2020 | 2019 |
| Advances | 371 | 282 | - | - |
| Loans granted | 154 | 154 | - | - |
| Pension funds and schemes: Contributions | 827 | 893 | - | - |
| Pension funds and schemes: Obligations assumed | 21,004 | 18,681 | - | - |
| Life and accident insurance premiums | 150 | 199 | - | - |

Guarantees provided by the Company to Senior management personnel.

At 31 December 2020 and 2019, in terms of remuneration, the Company had not issued any guarantees to senior managers who were not also executive Directors.

34.3.3. Guarantee clauses: Board of Directors and Senior management.

Guarantee clauses for dismissal or changes of control.

These clauses are the same in all the contracts of the Executive Directors and senior managers of the Company and of its Group and were approved by the Board of Directors following the report of the Appointments and Remuneration Committee (ARC) 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 personnel, 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:
 - o By mutual agreement: termination benefit equal to an amount from 1 to 3 times the annual remuneration, on a case-by-case basis. ENDESA's 2016-2018 Directors' Remuneration Policy established that when new Directors are included, a maximum number of two years of total annual remuneration will be set as payment for contract termination, applicable in any case in the same terms to the Executive Director contracts.
 - o 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 causes for compensation for termination foreseen in Royal Decree 1382/1985 of 1 August 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 management personnel are required not to engage in a business activity in competition with ENDESA for a period of 2 years; as consideration, the executive is entitled to an amount of up to 1x the annual fixed remuneration.

At 31 December 2020 and 2019, the number of executive Directors and senior managers with guarantee clauses was 11.

34.3.4. Other disclosures concerning the Board of Directors.

To increase the transparency of listed companies, the members of the Board of Directors have disclosed, to the best of their knowledge, the direct or indirect stakes they and their related parties hold in companies with the same, analogous or similar corporate purpose as that of ENDESA, S.A., and the positions or duties they perform therein.

| 31 December 2020 | | | | |
|--------------------|----------------------------|---------------------|------------------|--|
| Director's name | Personal or company tax ID | Company | Shareholding (%) | Position |
| Francesco Starace | 00811720580 | ENEL, S.p.A. | 0.00576855 | Chief Executive Officer and General Manager |
| Francesco Starace | B85721025 | ENEL Iberia, S.L.U. | - | Chairman |
| José Bogas Gálvez | B85721025 | ENEL Iberia, S.L.U. | - | Director |
| Alberto de Paoli | 00811720580 | ENEL, S.p.A. | - | Manager, Administration, Finance and Control |
| Antonio Cammisecra | 00811720580 | ENEL, S.p.A. | - | Director of Infrastructure and Global Networks |
| Antonio Cammisecra | 00811720580 | ENEL, S.p.A. | - | Sole Director of Global Infrastructure and Networks S.r.l. |
| Ignacio Garralda | 00811720580 | ENEL, S.p.A. | 0.00027540 | - |

| 31 December 2019 | | | | |
|------------------------------|----------------------------|---------------------|------------------|--|
| Director's name | Personal or company tax ID | Company | Shareholding (%) | Position |
| Juan Sánchez-Calero Guilarte | A48010615 | Iberdrola, S.A. | 0.00006191 | - |
| Francesco Starace | 00811720580 | ENEL, S.p.A. | 0.00504904 | Chief Executive Officer and General Manager |
| Francesco Starace | B85721025 | ENEL Iberia, S.L.U. | - | Chairman |
| José Bogas Gálvez | B85721025 | ENEL Iberia, S.L.U. | - | Director |
| Alberto de Paoli | 00811720580 | ENEL, S.p.A. | - | Manager, Administration, Finance and Control |
| Antonio Cammisecra | 00811720580 | ENEL, S.p.A. | - | Director of Global Generation |
| Antonio Cammisecra | 00811720580 | ENEL, S.p.A. | - | Sole Director of ENEL Green Power, S.p.A. |
| Ignacio Garralda | 00811720580 | ENEL, S.p.A. | 0.00027540 | - |
| Maria Patrizia Grieco | 00811720580 | ENEL, S.p.A. | - | Chairman |

In accordance with Article 229 of the Corporate Enterprises Act, the direct or indirect situations of conflict of interest involving members of the Board of Directors with the interest of the Company, along with how they were handled in 2020, were as follows:

- The Executive Directors, in their capacity as Directors of ENEL Iberia S.L.U., appointed by Enel, S.p.A., had conflicts of interest when authorising transactions with Enel, S.p.A. or Enel Group companies. In all the situations arising in 2020, the Executive Directors did not participate in the related items on the agenda of the corresponding Board of Directors meeting.
- The Proprietary Directors, appointed by ENEL, S.p.A., had a conflict of interest when authorising transactions with ENEL, S.p.A. or ENEL Group companies. In all the situations arising in 2020, the Proprietary Directors did not participate in the related items on the agenda on the agenda of the corresponding Board of Directors meeting.

Distribution by gender: At 31 December 2020, the Board of Directors of ENDESA, S.A. was composed of 13 Directors, 4 of which are women. At 31 December 2019, there were 11 Directors, 2 of which were women.

In 2020 and 2019 there were no damages caused by acts or omissions of the Directors that would have required use to be made of the third-party liability insurance premium held through the Company. This insures both the Company's Directors and employees with management responsibilities.

In 2020, this premium totalled Euros 614 thousand (Euros 352 thousand in 2019).

34.3.5. Share-based payment plans tied to the ENDESA, S.A. share price.

ENDESA's long-term variable remuneration is arranged through the so-called Loyalty and Strategic Incentive Plans, whose main purpose is to strengthen the commitment of employees who occupy positions of greater responsibility in achieving the Group's strategic objectives. The Plan is structured through successive three-year programmes, which start every year from 1 January 2010. Since 2014, the plans have foreseen a deferral of the payment and the need for the Executive to be active on the date of liquidation thereof; and payments are made on 2 dates: 30% of the incentive will be paid, and the remaining 70%, if applicable, 2 years after the end of the Plan.

Loyalty Plans

As part of ENDESA's Loyalty Plan, the Company also submitted the 2018-2020 long-term remuneration scheme for approval to the General Shareholders' Meeting, held on 23 April 2018, and the 2019-2021 long-term remuneration scheme to the General Shareholders' Meeting held on 12 April 2019.

These schemes are linked, among other indicators, to share price performance and are directed at the Chairman, the CEO and ENDESA Directors with strategic responsibility.

Specifically, the programmes referred to above have the following objectives:

- a) An objective called "Total Shareholders' Return (TSR) of ENDESA", defined as the average value of the TSR of ENDESA relative to the average value of the TSR of the Euro-Stoxx Utilities Index, selected as the Comparable Group, for the accrual period.

This indicator measures the total return of a share as the sum of its parts:

- i. Capital gains: the relation between the change in the share price (the difference between the price recorded at the end and at the beginning of the reference period) and the value established at the start of the period.
 - ii. Reinvested dividends: impact of all dividends paid in the period and reinvested in shares at the date of discount of each dividend.
- b) An objective called Return on average capital employed (ROACE)¹, defined as ENDESA's accumulated ROACE in the accrual period, represented by the ratio of Ordinary EBIT₂ to average net capital invested (NCI)₃ accumulated during the period.
 - c) Starting with the 2018 Plan, an objective of reducing carbon dioxide (CO₂) emissions is included. This indicator measures ENDESA's CO₂ emissions in Spain and Portugal, understood as the ratio of absolute CO₂ emissions due to ENDESA's electricity generation to ENDESA's net total production for that year.

There is an ex-post control of long-term variable remuneration in the form of a malus clause that allows the Company not to pay variable remuneration accrued and not received, in addition to a clawback clause which obliges participants in these plans to repay the variable remuneration received in the event that data used for its calculation or payment are proved to be clearly erroneous after the settlement date.

¹Return on Average Capital Employed (ROACE) (%) = Ordinary EBIT / Average Net Capital Invested (Average NCI).

² Ordinary EBIT (Millions of EUR) = EBIT adjusted for unbudgeted extraordinary effects.

³ Average Net Capital Invested (Average NCI) (Millions of EUR) = ((Equity + Net Financial Debt - Cash and cash equivalents)_n + (Equity + Net Financial Debt - Cash and other cash equivalents)_{n-1}) / 2.

The Appointments and Remuneration Committee (ARC) may submit a motion to the Board of Directors not to pay or to demand reimbursement of variable components of remuneration if it is shown that payment was based on data, which later proved to be incorrect.

The amount accrued in relation to these Loyalty Plan programmes in 2020 totalled Euros 3.5 million (Euros 6 million in 2019).

2020-2022 Strategic Incentive Plan.

On 5 May 2020, the Ordinary General Meeting of Shareholders of ENDESA, S.A. approved the Long-Term Variable Remuneration Plan called "2020-2022 Strategic Incentive Plan" whose main purpose is to reward the contribution to the sustainable fulfilment of the Strategic Plan of the people who occupy positions of greater responsibility, and among which are included the Executive Directors of ENDESA, S.A. The main characteristics of this plan are the following:

- The performance period will be 3 years, starting from 1 January 2020.
- The Incentive Plan provides for the allocation of an incentive consisting of the right to receive: (i) a number of ordinary shares of ENDESA, S.A. and (ii) a monetary amount, referenced to a base incentive (target), subject to the conditions and possible variations under the Plan mechanism.
- The Plan has a deferred payment: in the year following the end of the Plan, 30% of the incentive will be paid, if applicable, and the remaining 70%, if applicable, 2 years after the end of the Plan.

Regarding the total accrued incentive, the Plan foresees that up to 50% of the base incentive (target) will be fully disbursed in Shares.

The monetary amount to satisfy is calculated as the difference between the total amount of the incentive earned and the part to be paid in Shares.

The accrual of the 2020-2022 Strategic Incentive Plan is linked to the fulfilment of three targets during the performance period:

- a) Performance of the average "Total Shareholder Return" (TSR) of ENDESA, S.A. in relation to the performance of the average TSR of the Euro-Stoxx Utilities index, selected as the benchmark for the peer group. This parameter will be weighted at 50% of the total incentive.
- b) Return on Average Capital Employed (ROACE) objective accumulated over the accrual period. The target for ENDESA's average accumulated capital employed represents the relationship between ordinary Operating Profit (ordinary EBIT) and average Net Invested Capital (average NIC), cumulatively for the 2020-2022 period.

This parameter will be weighted at 40% of the total incentive.
- c) Reduction in carbon dioxide (CO₂) emissions by ENDESA. This parameter will be weighted at 10% of the total incentive.

For each of the targets a threshold level beyond which the target is considered met and two performance levels for targets that have been overachieved is established for each target - performance beyond the first level equals 150% and performance beyond the second level constitutes maximum achievement of 180%. Therefore, the level of variable remuneration would be between 0% and 180% of the base incentive.

The amount accrued by this Plan during 2020 was Euros 1.3 million, of which Euros 0.65 million corresponding to the estimate of the share-based payments that will be settled in equity instruments and Euros 0.65 million to the estimate of the Plan payments to be settled in cash.

During financial year 2020 there were no movements in the shares granted to these employees. Likewise, the heading "Other Equity Instruments" in the Consolidated Statement of Changes in Equity, relating to the Plan described above, included only additions for accruals of 2020, the balance at 31 December 2020 being Euros 0.65 million.

35. Guarantees to third parties, other contingent assets and liabilities and other commitments

35.1. Direct and indirect guarantees.

At 31 December 2020 and 2019 guarantees had been provided to third parties for the following items and amounts:

| Millions of euros | Notes | 2020 | 2019 |
|---|-------------------------|------------|------------|
| Property, plant and equipment as a guarantee for financing received | 6.4, 14.1.13 and 17.2.3 | 79 | 91 |
| Short-Term and Long-Term Gas Contracts | | 135 | 168 |
| Lease of Methane Vessel | | 140 | 153 |
| TOTAL (1) | | 354 | 412 |

(1) Does not include bank guarantees to third parties.

At 31 December 2020 and 2019, the breakdown of guarantees granted to ENDESA's Associates, Joint Ventures and Joint Operation entities is shown in Note 34.2.

ENDESA considers that any additional liabilities arising from guarantees given at 31 December 2020 would not be material.

35.2. Other commitments

There are no commitments other than those described in Notes 6, 8, 11, 12 and 18.1.3 to these Consolidated Financial Statements.

36. Audit fees

The fees for the services provided by KPMG Auditores, S.L. and other KPMG entities in auditing the Consolidated Financial Statements for the year ended 31 December 2020 and by Ernst & Young, S.L. and other Ernst & Young entities for those of the year ended 31 December 2019, independently of when invoiced, were as follows:

| Thousands of Euros | 2020 | 2019 |
|--|--|--|
| | KPMG Auditores, S.L. and other KPMG entities | Ernst & Young, S.L. and other Ernst & Young entities |
| For auditing services | 1,683 | 2,211 |
| For Other Accounting Verification Services (1) | 606 | 1,384 |
| For Other Services | - | 10 |
| TOTAL | 2,289 | 3,605 |

(1) Corresponding in financial year 2020 to limited reviews of Interim Financial Statements, reports of agreed procedures and of conformity in relation to issues of securities, services provided by KPMG Auditores, S.L. and other KPMG entities to ENDESA, S.A. and its controlled companies during the financial year ended 31 December 2020.

37. Workforce.

ENDESA's year-end and average headcounts, by segment, professional category and gender, are as follows:

| Number of Employees | Headcount at end of period | | | | | |
|-------------------------------------|----------------------------|--------------|--------------|------------------|--------------|--------------|
| | 31 December 2020 | | | 31 December 2019 | | |
| | Men | Women | Total | Men | Women | Total |
| Executives | 217 | 54 | 271 | 221 | 53 | 274 |
| Middle Management | 2,380 | 1,152 | 3,532 | 2,319 | 1,123 | 3,442 |
| Administration staff and operatives | 4,638 | 1,150 | 5,788 | 5,033 | 1,203 | 6,236 |
| TOTAL EMPLOYEES | 7,235 | 2,356 | 9,591 | 7,573 | 2,379 | 9,952 |

| Number of Employees | Headcount at end of period | | | | | |
|-------------------------------------|----------------------------|--------------|--------------|------------------|--------------|--------------|
| | 31 December 2020 | | | 31 December 2019 | | |
| | Men | Women | Total | Men | Women | Total |
| Generation and Supply | 3,596 | 1,041 | 4,637 | 4,153 | 1,143 | 5,296 |
| Distribution | 2,503 | 440 | 2,943 | 2,527 | 442 | 2,969 |
| Structure and Others ⁽¹⁾ | 1,136 | 875 | 2,011 | 893 | 794 | 1,687 |
| TOTAL EMPLOYEES | 7,235 | 2,356 | 9,591 | 7,573 | 2,379 | 9,952 |

(1) Structure and services.

| Number of Employees | Average headcount | | | | | |
|-------------------------------------|-------------------|--------------|--------------|--------------|--------------|--------------|
| | 2020 | | | 2019 | | |
| | Men | Women | Total | Men | Women | Total |
| Executives | 221 | 54 | 275 | 227 | 52 | 279 |
| Middle Management | 2,334 | 1,120 | 3,454 | 2,231 | 1,064 | 3,295 |
| Administration staff and operatives | 4,833 | 1,159 | 5,992 | 5,015 | 1,172 | 6,187 |
| TOTAL EMPLOYEES | 7,388 | 2,333 | 9,721 | 7,473 | 2,288 | 9,761 |

| Number of Employees | Average headcount | | | | | |
|-------------------------------------|-------------------|--------------|--------------|--------------|--------------|--------------|
| | 2020 | | | 2019 | | |
| | Men | Women | Total | Men | Women | Total |
| Generation and Supply | 3,937 | 1,092 | 5,029 | 4,094 | 1,085 | 5,179 |
| Distribution | 2,498 | 434 | 2,932 | 2,505 | 434 | 2,939 |
| Structure and Others ⁽¹⁾ | 953 | 807 | 1,760 | 874 | 769 | 1,643 |
| TOTAL | 7,388 | 2,333 | 9,721 | 7,473 | 2,288 | 9,761 |

(1) Structure and services.

The average number of employees in joint operation entities in 2020 and 2019 was 824 and 830, respectively.

The average number of persons employed in 2020 and 2019 with a disability of 33% or more, by category and segment, was as follows:

| Number of Employees | Average headcount with disabilities ⁽¹⁾ | | | | | |
|-------------------------------------|--|-----------|-----------|-----------|-----------|-----------|
| | 2020 | | | 2019 | | |
| | Men | Women | Total | Men | Women | Total |
| Executives | 1 | - | 1 | - | - | - |
| Middle Management | 17 | 4 | 21 | 15 | 4 | 19 |
| Administration staff and operatives | 45 | 15 | 60 | 43 | 16 | 59 |
| TOTAL EMPLOYEES | 63 | 19 | 82 | 58 | 20 | 78 |

(1) 33% or more.

| Number of Employees | Average headcount with disabilities ⁽²⁾ | | | | | |
|-------------------------------------|--|-----------|-----------|-----------|-----------|-----------|
| | 2020 | | | 2019 | | |
| | Men | Women | Total | Men | Women | Total |
| Generation and Supply | 27 | 10 | 37 | 23 | 12 | 35 |
| Distribution | 25 | 1 | 26 | 25 | 1 | 26 |
| Structure and Others ⁽¹⁾ | 11 | 8 | 19 | 10 | 7 | 17 |
| TOTAL | 63 | 19 | 82 | 58 | 20 | 78 |

(1) Structure and services.

(2) 33% or more.

38. COVID-19 Health Crisis.

The coronavirus epidemic (COVID-19) was first reported to the World Health Organization (WHO) in late December 2019.

On 11 March 2020, the World Health Organisation (WHO) confirmed that the COVID-19 health emergency had reached the level of a pandemic.

In order to contain the effects of the infection, while waiting for an available vaccine, the governments of the various countries adopted numerous containment measures, essentially aimed at restricting the free movement of people, which were modified depending on their effectiveness and the spread of the virus.

In Spain, on 14 March 2020, the Government declared a first State of alarm throughout the national territory to face the health emergency situation caused by COVID-19. After successive extensions, the state of alarm ended on 21 June 2020. From that moment on, a series of prevention, containment and coordination protocols have been adopted, aimed at dealing with and controlling the pandemic as long as the health crisis situation does not end, consistent with the different regulatory provisions that have been dictated by both the autonomous regional governments and the Central government. In this regard, on 25 October 2020 the Government declared a new State of alarm throughout the national territory to contain the spread of the disease, with initial validity until 9 November 2020, which was extended until 9 May 2021. ENDESA constantly reviews the adaptation of the mentioned protocols to the new provisions issued by national, regional or local authorities based on the evolution of the health crisis.

ENDESA carries out a large part of its activities under regulated frameworks and during the health State of alarm deriving from COVID-19, its activities have been classified as essential, which is why it has continued to develop them, adjusting its protocols when necessary (see Note 2.1).

During this period, business continuity management has relied on working from home for non-critical positions, as recommended in Royal Decree Law 8/2020 of 17 March for all situations in which it was possible. Working from home was in fact introduced some years ago in the organisation and thanks to investments in digitisation it has proved possible to work remotely with the same level of efficiency and productivity. The use of digitised infrastructures that contribute to the normal operation of production assets, the continuity of the electricity supply and the remote management of all activities relating to the market and customer relations have all become standard. Likewise, measures and procedures have been applied that are helping to work safely and reduce the risks of infection. Although the official preference for remote work over face-to-face work based on the aforementioned Royal Decree Law ended on 21 September 2020, At the date of formulation of this Consolidated Financial Statements, ENDESA's employees who were working outside the office ("TFO") continue to do so.

Financial and economic impacts of COVID-19.

In this context, ENDESA, as part of its commitment to society, designed a Public Responsibility Plan, endowed with Euros 25 million, for direct aid for the purchase of material, special supply conditions and donations to alleviate the main health and social needs caused by the COVID-19 health crisis, as well as programmes to support the relaunch of the economy in the worst affected segments. During the 2020 financial year, this Plan accrued in and paid its entirety (see Note 27, 32.1. and 33.2.1).

Taking into account the complexity of the markets due to their globalisation and the time needed for vaccines to reach a substantial proportion of the population, the current context has changed the probability and impact of some of the risks to which ENDESA is exposed, although the consequences for ENDESA's operations are still uncertain and will depend to a large extent on how the pandemic evolves in the coming months, as well as on the responsiveness and adaptability of all the economic agents affected.

Based on this, and in compliance with the recent recommendations by the European Securities and Markets Authority (ESMA) of 11 March 2020, ENDESA, launched an internal analysis to assess the actual and potential impact of COVID-19 on its business activities, financial situation and economic performance, basically concerning the following dimensions of analysis:

- Forecast of potential macroeconomic impacts.
- Forecast of the potential prices of electricity and gas in the energy markets and other commodities.
- Estimation of the impacts on the demand for electricity and gas.
- Analysis of possible delays in supplies and fulfilment of contracts, at the supply chain level.
- Monitoring of financial markets and liquidity situation.

Among the risk factors that affect ENDESA and that could be exacerbated by present and future resurgences of the virus or by the extension of the economic crisis, the following stand out:

- Adverse economic conditions due to the crisis following the COVID-19 pandemic may prolong the negative impact on demand for electricity and gas in the coming months. In this respect, during 2020, cumulative mainland demand for electricity decreased by 5.1% compared with the same period of the previous year, cumulative demand for electricity in the Non-mainland Territories (“TNP”) fell by 13.7% and demand for conventional gas fell by 5.3%.
- Variations in demand as a result of possible resurgences of COVID-19 could affect electricity and natural gas supply contracts, or associated hedges, since these are signed on the basis of certain assumptions regarding future market prices for electricity and natural gas.
- ENDESA's business activities are carried out in an environment of fierce competition. ENDESA's ability to contract new clients and to sign value-added service contracts could continue to be affected by the limitations imposed by the management of the health crisis which limits physical visits to clients. At 31 December 2020, ENDESA had 5,690,390 electricity customers in the deregulated market, 2.4% fewer than at 31 December 2019. On that same date, the number of ENDESA's gas customers in the deregulated market was 1,440,358, 1.5% more than at 31 December 2019.
- The adverse economic conditions due to the crisis caused by the COVID-19 pandemic may have a negative impact on the ability of ENDESA's customers to meet their payment commitments. Along these lines, Royal Decree Law 26/2020 of 7 July on economic reactivation measures to face the impact of COVID-19 in the areas of transport and housing, which entered into force on 9 July, extended to 30 September 2020 the period in which, exceptionally, the supply of electricity and gas to the principal residence of private individual customers could not be cut off for reasons other than safety. Finally, by means of Royal Decree Law 37/2020 of 22 December on urgent measures to face situations of social and economic vulnerability in the field of housing and in the field of transport, during the State of alarm prohibited the suspension of supply to consumers who were severely vulnerable or at risk of social exclusion, and this prohibition was extended to consumers who, without being able to prove ownership of the supply contract, comply with the requirements established in Royal Decree 897/2017 of 6 October.

During 2020, the largest provisions recorded in trade customers related to the impact of COVID-19 amounted to Euros 50 million (see Note 12.1).

- Greater impact of the virus on the population and, consequently, the approval of regulations referring to a limitation of people's mobility or a new confinement, could be limiting factors for ENDESA, due to its need to have contractors to carry out work. In this sense, the actions carried out on the supply chain have made it possible to continue with the investment effort that ENDESA is carrying out without significant incidents. Gross material investments in 2020 amounted to Euros 1,589 million (see Note 6.2) and no material impacts are expected to be caused by the pandemic with respect to start dates of projects.

- The prolongation of the current health situation deriving from COVID-19 in the coming months could limit ENDESA's access to the financial markets and change the terms on which it obtains financing, consequently affecting its business activities, results, financial position and cash flows. To this end, ENDESA has a solid financial position and unconditional credit lines contracted with first-rate entities available for significant amounts. This, together with the implementation of specific plans for the improvement and efficient management of liquidity, is expected to allow it to confront the impact caused by the difficulties of the economic situation.

Overall, during the 2020 financial year, the effects described above have meant a reduction in the gross operating profit (EBITDA) and in the operating profit (EBIT) of approximately Euros 120 million and Euros 170 million respectively, in addition to the expenses accrued by the Public Responsibility Plan amounting to Euros 25 million (see Notes 27, 32.1 and 33.2.1).

At the date of formulation of this Consolidated Financial Statements, it is not possible to make a precise estimate of the possible future impacts of COVID-19 on ENDESA's results during the coming months due, among other aspects, to the uncertain future evolution of macroeconomic variables, financial and commercial measures and their impact on the recovery of the economy, as well as the regulatory measures currently in force and any additional measures that may be adopted in the future by the competent authorities.

In the same way that has been done to date, in the coming months, constant monitoring of developments and continuous monitoring of changes in macroeconomic, financial and trade variables will continue in order to update the estimate of possible impacts in real time, as well as allowing, where appropriate, their mitigation with reaction and contingency plans.

39. Climate change.

| | Line of action | 2020 Objective | 2020 Profit/Loss | Key actions |
|-----------------------------------|--|----------------|------------------|--|
| Decarbonisation of the Energy Mix | Specific CO ₂ emissions (g/kWh). | 277 | 180 | Reduction of specific emissions by around 60% compared to 2017. |
| | Free production of CO ₂ (% of production) | 60 | 70 | Increase in emission-free production of 59% with respect to 2017, reaching a generation mix with emission-free production of around 70%. |
| | Net installed renewable capacity (installed MW) | 7,893 | 7,781 | -Increase in installed renewable capacity (0.26 GW solar and 0.13 GW wind). |
| | Gross installed fossil thermal capacity (installed MW) | 11,221 | 11,186 | Cessation of peninsular coal activity in 2021. |

39.1. Global commitment to combating climate change.

The Paris Agreement is the first universal and legally binding agreement on climate change, adopted at the 2015 United Nations Conference on Climate Change in Paris (COP21), its objective being to limit the increase in temperature to less than 2 °C and if possible not more than 1.5 °C.

39.1.1. A context of call to action

December 2019 saw the publication of the European Green Deal, the roadmap drawn up to provide the European Union (EU) with a sustainable economy, with the aspiration of being climate neutral by 2050. Achieving this objective requires continuity in the transformation of the climate and environmental challenges into opportunities in all areas and to achieve a just and inclusive transition for all.

In 2020, the European Commission published the proposal for a Climate Change Law which, among other aspects, proposes legislating the goal of carbon neutrality by 2050 (see Note 4). This goal calls for an increase in ambition to 2030 and the definition of a path through an intermediate goal in 2040. On 17 September 2020, together with the evaluation of the National Energy and Climate plans of the Member States for 2021-2030, the Commission Communication on the 2030 objective was published, proposing a 55% reduction in emissions from 1990 levels instead of the current 40%. It was a proposal as ambitious as it is necessary for Europe to achieve carbon neutrality by 2050, in line with the Paris Agreement and with the aspiration of limiting the global temperature increase to 1.5 °C, and which was endorsed on 11 December 2020 by unanimous agreement of the Heads of State of the 27 Member States in the European Council, once again putting the European Union (EU) at the head of the fight against climate change.

The new climate target for 2030 is expected to help focus Europe's much-needed economic recovery after the coronavirus pandemic. It will stimulate investment in a resource-efficient economy, foster innovation in clean technologies, boost competitiveness, and create green jobs. Member States can draw on the Euros 750,000 million from the Next Generation EU recovery facility and the next long-term European Union (EU) budget to make these investments in ecological transition. To support the necessary investments, the Commission also adopted the rules that will regulate the new European Union (EU) renewable energy financing mechanism to facilitate collaboration among Member States in the financing and deployment of projects in the field of renewable energy.

With all this, it is expected that in 2021 the legislative proposals to apply the new objective will be made known through the following measures: review and expand the European Union Emissions Trading System (ETS); adapt the Effort Sharing Regulation and the framework for emissions in the LULUCF (Land Use, Land Use Change and Forestry) sector; increase energy efficiency through the Efficiency Directive, renewable energy policies through the Renewables Directive, and tighten the CO₂ rules applicable to road vehicles by means of emission standards for cars and vans.

Spain has already committed to climate neutrality by 2050 at the latest. For this, it has the Spanish Integrated National Energy and Climate Plan ("PNIEC"), which establishes the roadmap for the next decade, a Plan that goes beyond the initial ambition of the European Union (EU), aligning itself with the increase in ambition to 55% agreed at the end of 2020 by the Heads of State of the 27 member countries. Spain defines in the Spanish Integrated National Energy and Climate Plan ("PNIEC") the necessary measures to achieve a 23% reduction in Greenhouse Gas emissions (GHG) by 2030 compared with 1990 levels. (The aim of going from the 334.3 MtCO₂-eq emitted in 2018, to 221.8 MtCO₂-eq in 2030, which implies removing approximately a third of current emissions between both dates, gives some idea of how ambitious the measures contemplated in the Spanish Integrated National Energy and Climate Plan ("PNIEC"): 42% of energy end-use from renewables, a 39.5% improvement in energy efficiency and a 74% penetration of renewable energy in electricity generation.

39.1.2. ENDESA's commitment regarding climate change.

Stopping the rise in temperature requires urgent action to reconcile growth and economic well-being with reducing emissions, and this will only be possible with an energy model that allows safe, affordable and clean energy for all. The role of the electricity sector is crucial to achieve decarbonisation objectives, since it allows the incorporation of renewable energies to final uses and is key to achieving improvements in energy intensity and efficiency values.

Climate change is the main environmental challenge facing the planet and ENDESA is well aware of the urgency of tackling it decisively and studying the risks and opportunities that it entails. For this reason, combating global warming is an integral part of its business strategy and a basic pillar for maintaining a sustainable business model. The reduction of Greenhouse Gas emissions (GHG), the improvement of energy efficiency and the electrification of demand are key aspects that support the important role that ENDESA plays in achieving low-carbon, sustainable, safe and efficient energy. Precisely the most significant aspects that it addresses in its climate change management model are the commitment to society and the setting of objectives, accompanied by measures to reduce emissions and forest restoration projects, all accompanied by transparency in reporting its performance and results, following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

5 years of the Paris Agreement

It has been five years since measures were established worldwide to reduce Greenhouse Gas emissions to implement the United Nations Framework Convention on Climate Change.

The main objective of the Paris Agreement is to restrict the increase in global temperatures to 2 °C, with the intention to keep it within 1.5 °C compared to the pre-industrial period. But the Agreement does not stop there. It also sets out a path for achieving it, and introduces the requirement to achieve carbon neutrality, which developed economies are required to achieve by 2050.

It was a historic global agreement. A total of 190 plans to combat climate change were presented, covering around 99% of emissions from all the parties to the United Nations Framework Convention on Climate Change (UNFCCC).

For ENDESA, tackling climate change has been an unprecedented challenge, with the establishment of ambitious objectives through the successive Strategic Plans drawn up since then, with the firm commitment to have zero CO₂ emissions by 2050 and charting a path with intermediate objectives of absolute emission reduction.

In just four years since the entry into force of the Paris Agreement, ENDESA has gone almost halfway towards the goal set for 2050: reducing its emissions by 48% since 2015 (almost 70% since 2005, the year in which the Kyoto Protocol came into force). The update to the Strategic Plan for 2021-2023 presented on 25 November 2020 reaffirms the company's commitment to the fight against climate change:

It is thus once again playing a key role in the fight against climate change, demonstrating leadership and significantly contributing to the fulfilment of national and international commitments that address the decarbonisation of the planet. As recognised this year by the Carbon Disclosure Project (CDP), an index that is clearly the reference for investors, which has included ENDESA in List A, which recognises leading companies in climate action and transparency, and to which only four utilities have been admitted this year. Obtaining this type of qualification from this independent and prestigious entity is a ringing endorsement of the trajectory that ENDESA has carried out in such a short time.

Business model: Promotion of a fair transition.

ENDESA, always up to date with the intense international negotiations, aligns its business strategy in accordance with the global commitments and objectives that have currently been set out in the fight against climate change. In this way it remains committed to contributing to the principle of “leaving no-one behind”, ensuring that the transition is fair and promoting the creation of sustainable and decent jobs. For ENDESA, collaboration among governments, the private sector, civil society and other stakeholders will be essential to achieve the climate objectives set out in the Paris Agreement following an inclusive approach.

In this context, ENDESA considers the fair transition to be part of its business model, and at the end of 2019 it signed up to the United Nations commitment on the Fair Transition under the initiative “Climate Action for Work”. This commitment has found expression in the Futur-e projects, a unique voluntary initiative managed by means of dialogue with local communities and aimed at promoting the development of economic activities and job creation in areas where the power plants that are being closed down are located.

39.2. Corporate governance.

ENDESA is well aware of the effects of climate change on its business and integrates this vision not just as an element in its environmental and climate management policy but as a weighty component in its decision-making at the business level and in determining its strategic plans, which means that decisions are taken at the highest levels of management.

ENDESA establishes its strategic plans taking into account geopolitical, regulatory and technological macro-trends, placing special emphasis on the markets in which it operates, and considering the risks and opportunities it faces (taking into account operational, technological, market and transition aspects, and physical risks, among others). Climate change and the energy transition is one of the main pillars of the Company's strategy, and it is the Board of Directors that is responsible for its development and implementation. ENDESA's governance structure is led by the Board of Directors, which supervises the company's performance on climate change. The Appointments and Remuneration Committee is responsible, among other things, for proposing to the Board of Directors the appointment of Directors and the Remuneration Policy. Through this Committee, objectives for reducing CO₂ emissions linked to variable remuneration are approved and monitored, along with the initiatives that make it possible to achieve this reduction, included in the company's Strategic Plan. ENDESA has established an incentive system for its executives related to the Company's performance in the management of climate change. In the Strategic Incentive Plan (see Note 34.3.5), whose participants are the Executive Directors of the Company, as well as executives whose participation is considered essential in the achievement of the Strategic Plan, one of the objectives is directly

linked to the reduction of specific CO₂ emissions, and attaining it determines 10% of the incentive. This objective is reviewed annually, with each long-term incentive plan, the last objective set at the closing date of this report being that corresponding to the 2020-2022 Plan, in line with the industrial objectives contained in the 2020-2022 Strategic Plan.

The Audit and Compliance Committee is responsible for overseeing and controlling the processes of preparation and presentation of financial and non-financial information, the independence of the auditor and the effectiveness of the internal climate change Risk Management and Control systems. In terms of risk management, on the one hand, the business units are responsible for identifying and measuring risks, while the risk function controls and manages risks and the Internal Audit function supervises the efficiency of the risk controls established.

We would highlight the creation in 2020 of the Sustainability and Corporate Governance Committee, whose role is partly supervisory and partly advisory, counselling the Board of Directors on environmental and sustainability matters, human rights and diversity, in relation to the strategy for social action, as well as in the area of the Company's corporate governance strategy. Its responsibilities include the review of the company's sustainability and environmental policies, the supervision of the sustainability plan or strategy and the periodic evaluation of the degree of achievement of the objectives set.

39.3. Strategy.

The effects of climate change are manifesting themselves with increasing force and the response must be global and ambitious, promoting rigorous objectives and reinforcing alliances that help combat climate change.

The Intergovernmental Group of Experts on Climate Change (IPCC) issued a special report at the end of 2018 that states that to limit global warming to 1.5 °C, "fast and extensive" transitions would be needed on land, energy, industry, buildings, transport and cities, and that it would be necessary for global net CO₂ emissions of human origin to decrease by 45% compared to 2010 levels by 2030, and to continue to decrease until reaching "zero net emissions" approximately by 2050.

In 2020 ENEL, ENDESA's parent company (see Note 14.1), renewed the certification of its climate targets under the Science Based Targets Initiative (SBTi), increasing its ambition to align itself with a scenario that allows global warming to be limited to 1.5 °C, and committing to reduce its specific emissions of Scope 1 Greenhouse Gas emissions (GHG) by 80% by 2030, taking 2017 as the reference year. Also, by 2030, ENEL has pledged to reduce by 16% its indirect emissions related to the sale of natural gas in the retail market, also taking 2017 as the reference year.

Taking the aforementioned The Intergovernmental Group of Experts on Climate Change (IPCC) report as a reference, and considering ENEL's SBTi-certified targets, ENDESA is defining its new Strategic Plan 2021-2023, with which it aspires to become a leader in the global transformation process and to contribute decisively to the collective objective of limiting global warming to 1.5 °C, and for this reason it allocates 94% of its investment effort for that period (amounting to Euros 7,900 million) to climate action, Goal 13 of the UN Sustainable Development Goals (SDG), which will allow it to increase its installed capacity in renewables by more than 50% in 2023 compared with 2020.

One of ENDESA's fundamental strategic pillars is the energy transition towards total decarbonisation of electricity generation by 2050, ensuring security of supply at all times, through an emissions reduction plan that has once again been made more ambitious, and that establishes a path with intermediate milestones, until reaching an 80% reduction in specific Scope 1 emissions of CO₂ equivalent in 2030, compared with 2017, by when 80% of the generation mix will be CO₂-free. This ambitious plan will reduce specific emissions to 150 gCO₂-eq/kWh in 2023 and below 95 gCO₂-eq/kWh in 2030, an emission level aligned with the "Science Based Targets initiative" (SBTi) criterion to limit the temperature increase to 1.5 °C. For this, a roadmap for the progressive reduction of coal activity has been defined, involving a reduction of 99% in 2022, with mainland thermal coal generation ending in 2021 and complete cessation in 2027. In this regard, on 30 June 2020, the Compostilla Thermal Power Plant II ("León") and the Teruel Thermal Power Plant (Teruel) closed. These closures would be joined by the closures of the As Pontes (A Coruña) and Litoral ("Almería") mainland coal-fired plants in mid-2021, in accordance with the closure requests submitted at the end of 2019 (see Note 6.4), leaving only generators 3 and 4 of the Alcudia Thermal Power plant in operation, which would operate in a

very limited way and only to guarantee the electricity supply on the island of Mallorca until a new connection cable with the mainland comes into operation.

Accompanying the applications for closure, ENDESA has voluntarily prepared and submitted an action plan for each plant to mitigate the impact caused by the decrease in activity. Called the Futur-e Plan, it aims to promote the development of economic activities and foster job creation in the areas where the two plants are located. During 2020, the evaluation process of the proposals to be developed at the Compostilla Thermal Power Plant was closed and at the end of the year the tender for the presentation of projects for the Litoral Power plant site in Almería was published.

The commitment to decarbonisation also includes the objective of reducing indirect emissions related to the sale of natural gas in the retail market by 16% by 2030 compared with 2017, an objective already established in 2019.

Accompanying the closure of the main Greenhouse Gas (GHG) emitting centres, significant growth in renewable generation is being undertaken. The development and management of renewable energies of ENDESA in Spain is carried out through ENEL Green Power España (EGPE) (100% owned by ENDESA).

As of 31 December 2020, ENDESA had 7,781 net installed MW of renewable power, of which 4,670 MW corresponded to large hydro, 2,423 MW to wind power, 609 MW to photovoltaic solar, 79 MW to mini hydro, and 0.5 MW to biogas plants.

MW

| | 2020 | 2019 |
|-------------------------------------|--------------|--------------|
| Capacity, Spain and Portugal | 7,781 | 7,408 |
| Hydroelectric | 4,670 | 4,668 |
| Wind | 2,423 | 2,308 |
| Mini hydroelectric | 79 | 80 |
| Solar | 609 | 352 |
| Biomass | 0.5 | 0.5 |

Connection of new renewable power during 2020.

ENDESA, through ENEL Green Power España (EGPE), has continued with its growth in installed renewable power despite the severe difficulties caused by the paralysis of critical segments during 2020, which has affected the planning of the development of the projects. Despite all this, ENDESA has managed to connect 391 new MW to the grid, joining the 926 MW connected during 2019. This new power corresponds to 12 new wind and photovoltaic parks and one hydroelectric repowering. These projects have been developed in the autonomous regions of Andalusia, Aragón, Castilla - La Mancha, Extremadura and the Balearic Islands (see Note 6.2).

| Date | Project | Technology | Community | Power |
|---------------|------------------------|---------------|----------------------|--------------|
| May 2020 | Sierra de Oriche | Wind | Aragón | 13.9 |
| July 2020 | Dehesa de Mallen | Wind | Aragón | 3.5 |
| July 2020 | Motilla del Palancar | Wind | Castilla - La Mancha | 51.0 |
| July 2020 | Ribarroja Gr 3 | Hydroelectric | Aragón | 1.5 |
| August 2020 | Cañaseca | Wind | Aragón | 18.0 |
| December 2020 | Los Gigantes | Wind | Aragón | 21.3 |
| December 2020 | San Francisco de Borja | Wind | Aragón | 23.9 |
| December 2020 | Augusto | Photovoltaic | Extremadura | 49.9 |
| December 2020 | La Vega I | Photovoltaic | Andalusia | 43.2 |
| December 2020 | La Vega II | Photovoltaic | Andalusia | 43.2 |
| December 2020 | Sa Caseta | Photovoltaic | Balearic Islands | 21.8 |
| December 2020 | Los Naranjos | Photovoltaic | Andalusia | 49.5 |
| December 2020 | Las Corchas | Photovoltaic | Andalusia | 49.9 |
| TOTAL | | | | 390.7 |

All this additional power, added to the improvements in the operation and maintenance of the renewable farms and parks, has led to ENDESA's breaking its production records, both wind and solar photovoltaic in 2020.

Beyond the construction process and the generation of employment which the implementation of these projects involved, the development model followed by ENDESA has included actions to create social value for the

environments in which they are located: the Creating Shared Value model (CSV). These initiatives are very diverse in nature and respond to the needs of each municipality, after conducting studies with local authorities.

All these initiatives included within the development concept “Sustainable construction site”, include job training in renewable energy for people from the municipalities, advice on energy efficiency, projects to replace lighting with LED technology, self-consumption with installation of photovoltaic panels in old people’s homes and other municipal facilities, as well as local socio-cultural projects.

Expansion of the portfolio of projects in development.

In addition to all the construction efforts made this year, we must highlight the considerable push made in 2020 to increase the portfolio of renewable projects in order to meet the ambitious objectives set in the company’s Strategic Plan. At 31 December 2020 there was a portfolio of projects with more than 7,000 MW with connection, of which approximately 70% was solar photovoltaic and 30% wind power. Additionally, more than 18 GW are available in projects with a lower level of development. Thus, the objective contemplated in the plan is to connect approximately 700 MW in 2021, basically new wind and photovoltaic power, 1,400 MW in 2022 and in 2023 an additional 1,700 MW up to the 3,900 MW foreseen in the 2021-2023 Plan.

With this broad development portfolio, which we will continue to work to increase in the coming months, the continuous growth of renewable capacity in the coming years is ensured in accordance with the company’s Strategic Plan and the possibility of concluding commercial agreements for the sale of renewable energy is increased. This growth in the portfolio of renewable projects is key to achieving the company’s decarbonisation objectives, allowing the gradual replacement of the coal-fired power that is being closed down.

39.3.1. Scenarios

ENDESA uses climate, energy and macro-economic scenarios at the short (Strategic Plan), medium (corresponding to the terms of coverage of the Spanish Integrated National Energy and Climate Plan (“PNIEC”)) and long-term (2050) horizons, to evaluate the flexibility and resilience of its Strategic Plan. In these scenarios, the impact of climate change is of great importance, producing effects that can be analysed in terms of:

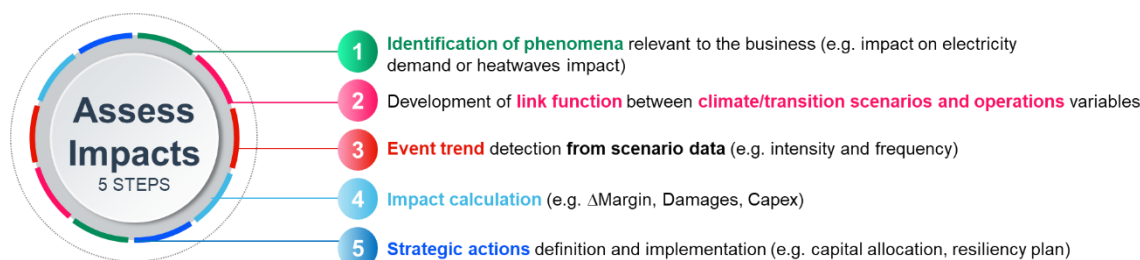
- Extreme events: heat waves, torrential rains, hurricanes, etc. and their potential impact on industrial facilities.
- Chronic phenomena: to consider gradual changes in climatic conditions such as an increase in average temperatures, a rise in sea levels, etc. affecting the production of power plants, and consumption profiles.
- Transition: from different sectors to a green economy, characterised by being more decarbonised.

The aspects related to the projections of the climatic variables, in terms of chronic phenomena and extreme events, define the physical scenarios, and the aspects related to the industrial and economic transition towards decarbonised solutions define the transition scenarios. These scenarios are built with the objective of having a reference framework that ensures consistency between climate projections and transition assumptions.

The adoption of the aforementioned scenarios and their integration into the ordinary management of the company, as recommended by the Task Force on Climate-related Financial Disclosures (TCFD), allows the evaluation of the risks and opportunities associated with climate change.

The acquisition and processing of the large volume of data obtained from the application of the scenarios, as well as the identification of the methodologies and metrics necessary to interpret complex phenomena, requires a continuous dialogue with both external and internal experts. To this end, we work with a platform approach, providing the tools that guarantee solid and accessible information for all.

The process that translates the conclusions of the application of the scenarios into useful information for industrial and strategic decisions can be summarised in 5 steps:



39.3.1.1. Physical scenarios

For physical risks, climate scenarios published in the Fifth report of the Intergovernmental Panel on Climate Change (IPCC) are used, specifically:

- Representative Concentration Pathway 2.6 (RCP 2.6): scenario aligned with a global increase in temperature of 1.5 °C in 2100 compared with pre-industrial levels (1850-1900).
- Representative Concentration Pathway 4.5 (RCP 4.5): intermediate scenario that estimates that the global increase in temperature with respect to pre-industrial levels will be about 2.4 °C in the period 2081-2100. This scenario has been considered as the most representative of the current climate and geopolitical context at a global level.
- Representative Concentration Pathway 8.5 (RCP 8.5): scenario that considers that no specific measures will be carried out to combat climate change. In this scenario, it is estimated that the global increase in temperature compared with pre-industrial levels will be around 4.3 °C in the period 2081-2100.

The Representative Concentration Pathway 8.5 (RCP 8.5) scenario is considered the most adverse one, and has been used to evaluate the consequences of climate impacts in an extreme scenario, which is currently considered to be unlikely to occur. Scenario Representative Concentration Pathway 2.6 (RCP 2.6) is used to assess the consequences of climate impacts associated with an energy transition that achieves ambitious mitigation targets.

According to the climatic projections according to the Representative Concentration Pathway 8.5 (RCP 8.5) scenario, the Mediterranean region will suffer an increase in the average temperature and a decrease in rainfall, effects that will be more pronounced in the second half of the century. According to the climatic projections of the Representative Concentration Pathway 2.6 (RCP 2.6) scenario, the effects will be analogous, but less intense, with a less pronounced trend in the second half of the century, noting a large difference between the estimated effects of both scenarios in 2100.

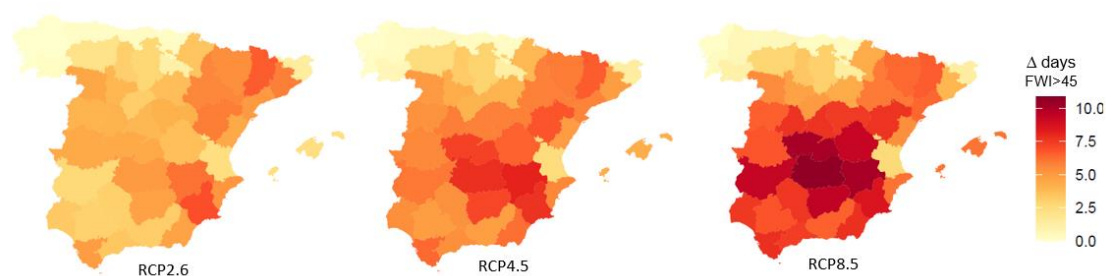
The scenarios used are global, so in order to define the effects at the level of the specific areas in which the ENEL Group carries out its activity, we have had the collaboration of the Earth Sciences department of the International Centre for Theoretical Physics (ICTP) in Trieste. The work carried out by the Earth Sciences Department of the International Centre for Theoretical Physics (ICTP) has made it possible to have projections of the most important climatic variables with a resolution equivalent to a grid of between 12 and 100 square kilometres for a time horizon between 2030 and 2050. The main variables considered are temperature, precipitation and solar radiation. To achieve a more robust analysis, we are currently working on the basis of a combination of 3 regional climate models, the one defined by the Earth Sciences Department of the International Centre for Theoretical Physics (ICTP) plus 2 others selected from the most representative of the climate models referred to in the specialised literature.

The work carried out with the climatic scenarios considers both chronic phenomena and extreme events. The analysis of certain aspects depends not only on climate projections, but also on the characteristics of the territory, so it is necessary to make a more specific modelling to achieve a representation with high resolution.

To achieve this, in a complementary way to the climate scenarios developed by the Earth Sciences Department of the International Centre for Theoretical Physics (ICTP), Natural Hazard maps are used. Thanks to the use of these maps, it is possible to obtain, with a high spatial resolution, the expected frequencies for a series of climatic events such as storms, hurricanes or floods. The conclusions of this type of analysis using historical series are being used to optimise the strategy in the field of insurance. Work is currently being done to integrate these conclusions with the projections of the climate scenarios.

The work carried out in 2019 and 2020 has allowed the following conclusions to be drawn regarding the territories in which ENDESA operates:

- Extreme events: in the 2030-2050 period, heat waves are expected to increase in frequency, and to be more marked in the southern area. Extreme rainfall will increase in intensity, but will decrease in frequency, while extreme snowfall will remain in the same geographic areas as today, but could significantly decrease in intensity and in frequency. Regarding the risk of fire, an increase in the number of days with extreme risk compared with the historical average is estimated, an increase that will be more marked in the Representative Concentration Pathway 8.5 (RCP 8.5) scenario than in Representative Concentration Pathway 2.6 (RCP 2.6).

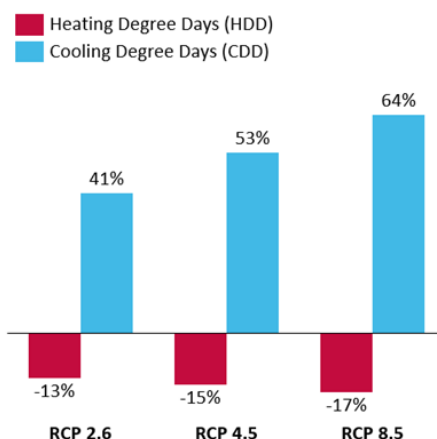


Average number of days with extreme fire risk: differential between Representative Concentration Pathway (RCP) scenarios and historical period.

- Chronic phenomena: an increase in the average annual temperature is expected in the period 2030-2050 in all the Representative Concentration Pathway (RCP) scenarios. For the Representative Concentration Pathway (RCP 8.5) scenario, it is estimated that the average temperature increase in said period will be about 1.4 °C with respect to the pre-industrial period (with a value in the range of 1.2 °C to 1.8 °C). For the Representative Concentration Pathway (RCP 4.5) scenario, an average temperature increase is estimated for the same period of about 1.2 °C (value in the range of 1 °C to 1.5 °C), and for the Representative Concentration Pathway (RCP 2.6) scenario the expected increase is 1 °C (value between 0.8 °C and 1.3 °C). The differences between the Representative Concentration Pathway (RCP 2.6), Representative Concentration Pathway (RCP 4.5) and Representative Concentration Pathway (RCP 8.5) scenarios increase significantly in the second half of the century. Air conditioning needs are estimated based on the evolution of Heating Degree Days (HDD)⁴ and Cooling Degree Day” (CDD)⁵. In the 2030-2050 period, there is a reduction of 13% in Heating Degree Days (HDD) and an increase of +41% in Cooling Degree Days (CDD) in the Representative Concentration Pathway 2.6 (RCP 2.6) scenario, to values of reduction of -17% in Heating Degree Days HDD (and an increase of +64% of Cooling Degree Days (CDD) (in the Representative Concentration Pathway (RCP 8.5) scenario.

⁴Heating Degree Days (HDD): annual summation of the difference between the interior temperature (estimated at 18 °C) and the exterior temperature, considering all the days of the year that have an exterior temperature lower than or equal to 15 °C.

⁵Cooling Degree Days (CDD): annual summation of the difference between the interior temperature (estimated at 21 °C) and the exterior temperature, considering all the days of the year that have an exterior temperature greater than or equal to 24 °C.



It should be noted that ENDESA has been a pioneer in the use of climate scenarios. In 2009, it launched its first project in order to analyse and assess the vulnerability of all its businesses and facilities globally, which is why it was chosen by the former Ministry of Agriculture and Fisheries, Food and Environment (currently the Ministry for Transition Ecological and the Demographic Challenge) as a representative of the energy sector for the ADAPTA I and II initiative. After this, ENDESA has continued to look in-depth at the subject, participating in multiple international initiatives and developing projects related to different fields.

39.3.1.2. Transition scenarios

The transition scenario represents the trends in the production and consumption of energy in the various different sectors in an economic, social and regulatory context consistent with the trend in Greenhouse Gas emissions (GHG) and, therefore, related to the climate scenarios.

In this regard, we develop transition scenarios which, starting out from the assumptions about the evolution of the context, allow projections to be made of energy demand, electricity demand, production of electrical energy, penetration of renewables, electric vehicles, etc. and in general all the relevant variables that characterise an energy system, and therefore the activities carried out by the company.

Regarding the assumptions established to define the transition scenarios, we should highlight:

- The assumptions relating to the regulatory context regarding climate change, which regulate aspects such as the reduction of CO₂ emissions, the efficiency of the energy system, the decarbonisation of the electricity sector, the reduction of oil consumption, etc.
- The macro-economic and energy context (for example, in terms of GDP, population and commodity prices), considering international references such as the International Energy Agency (IEA), Bloomberg New Energy Finance (BNEF), the International Institute for Applied Systems Analysis (IIASA), etc.

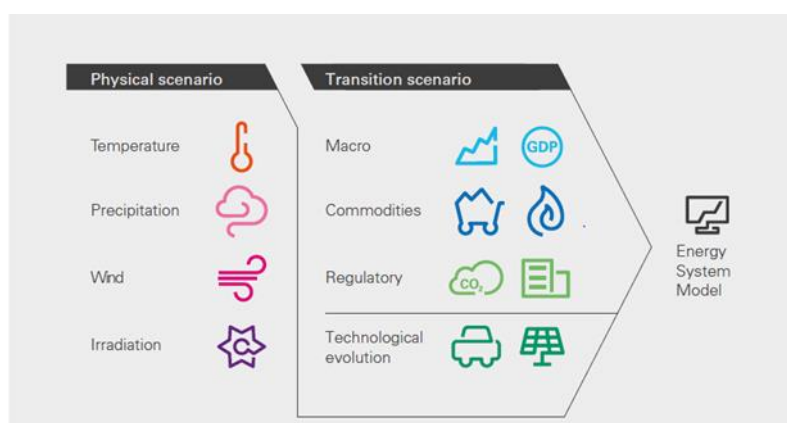
Based on these assumptions, the reference framework used to carry out the impact analysis of climate and transition risks and opportunities considers 2 scenarios: one inertial (Reference), built on the basis of existing or planned policies, as well as on internal assumptions regarding the evolution of the variables of interest, and another more ambitious one (Brighter Future), consistent with the Paris Agreement, which considers more ambitious objectives in terms of reducing carbon dioxide CO₂ emissions or increasing efficiency, as well as the possible acceleration in the reduction of costs of certain technologies. This second scenario estimates an incremental growth in the generation of electricity from renewable sources, as well as a higher demand for electricity due to a greater electrification of final consumption.

For the elaboration of transition scenarios in the main countries in which it operates, the Group builds quantitative tools that, based on the assumptions about the evolution of policies, technologies and other context variables, allow projection of energy demand, electricity demand, penetration of renewables, electric vehicles, etc. - in short, the set of relevant variables that characterise the national energy system with respect to the Group's activities.

The case of Spain constitutes a particular case of the general methodology used at the Group level, because the 2021-2030 "PNIEC" presented by the Spanish Government involves a level of ambition consistent with the

Paris Agreement and, therefore with climate scenario Representative Concentration Pathway (RCP 2.6). In this way, the Brighter Future scenario should be considered a refinement based on a higher level of electrification compared with that foreseen in the Spanish Integrated National Energy and Climate Plan (“PNIEC”) 2021-2030.

In this sense, the *Brighter Future* scenario foresees higher rates of penetration of electrical energy and the consequent improvement in efficiency levels. In particular, the significant increase in electric vehicles and heating/cooling systems based on heat pumps, determine an increase in demand of 4% in 2030 compared with the Reference scenario, which it is estimated will have positive effects on sales of both electricity and the value-added services. The greater penetration of heat pumps could generate a reduction in gas sales in the general public segment due to the gradual electrification of its consumption; however, it is estimated that the overall effect should be positive from the point of view of EBITDA, also accompanied by a reduction in CO₂ emissions, for which ENDESA has set a target in its Scope 3.



39.4. Risk management

ENDESA has a Risk Management and Control General Policy, approved by the Board of Directors (see Note 19). This policy establishes the basic principles and the general framework for the control and management of risks of all kinds that might affect the attainment of the objectives, ensuring that they are identified, analysed, evaluated, managed and controlled systematically and within the levels of risk established. The Risk Management and Control General Policy identifies the different types of risk, financial and non-financial (among others, operational, technological, legal, social, environmental, including those related to climate change, political and reputational, including those related to corruption) that the Company faces, including among financial or economic risks contingent liabilities and other risks outside the Consolidated Statement of Financial Position.

For more information on risk management, see the Risk Management and Control General Policy published on the company's website (<https://www.endesa.com/en/shareholders-and-investors/corporate-governance/corporate-policies>)

The process of identifying risks and opportunities includes those related to climate change: transition risks, risks relating to regulation, new technologies, change in the market and reputation, and those relating to the potential physical effects of climate change.

All organisational levels are involved in the process of identifying and assessing risks, in a coordinated manner and directed by the Company's Risk Control System. Each line of business and facility identifies and evaluates the risks and opportunities that arise from its activities, including those derived from its geographical location. Specifically for climate change, risks are assessed based on established levels of risk tolerance, considering: exposure (climate impacts that could affect facilities), sensitivity (potential effects and their consequences for business or facilities), and vulnerability (ability to adapt to overcome the impacts of climate change in view of financial, technological and knowledge-related requirements).

Climate change and the energy transition, will have an effect on ENDESA's activities. As recommended by the Task Force on Climate-related Financial Disclosures (TCFD), to identify the different types of risks and

opportunities and their impacts on the company's different businesses, ENDESA has defined a reference framework. The risks are classified as physical and transitional. Physical risks are in turn classified as acute (extreme events) and chronic. The former occur as a consequence of extremely intense climatic conditions, and the latter are related to gradual and structural changes in climatic conditions. Extreme events expose ENDESA to potential unavailability, of variable duration, in facilities and infrastructure, repair costs, impact on customers, etc. The chronic change in weather conditions exposes ENDESA to other risks and opportunities, such as changes in the production regime of different technologies, as well as changes in electricity demand. In reference to the energy transition process towards a more sustainable model characterised by a progressive reduction in CO₂ emissions, risks and opportunities are identified linked to both the regulatory and regulatory context, and the evolution of technological development, electrification and consequent market developments.

In line with what we foresee in the climate and transition scenarios adopted for defining risks and opportunities, we are starting to see changes in customer behaviour, industrial strategies in the various economic sectors, and regulatory changes. ENDESA wants to play an active role in the transition, and therefore defines facilitating actions in its Strategic Plan, with the aim of making the most of the opportunities that arise, identified thanks to the analyses carried out based on scenarios. All this means that 94% of the investments foreseen in the Strategic Plan are earmarked for climate actions.

| Scenario | Risk and Opportunity Category | Time Horizon | Description | Description of the Impact | Management Mode |
|-----------------------|-------------------------------|--------------------------------|---|---|---|
| Acute Physical change | Extreme events | In the short term (1-3 years) | Risk: extreme (intense) weather events | Extreme events can have an impact in terms of damage to facilities and reduced availability | ENDESA adopts the best practices for incident management. Regarding risk management from an insurance point of view, manages a Loss Prevention programme for property risks, also aimed at evaluating the main exposure factors associated with natural events. In the future, changes in climate evolution that are expected to manifest from the medium term will also be considered in the evaluation. |
| Chronic Physical | Chronic physical | In the long term (2030-2050) | Risk/Opportunity: increase or decrease in electricity production and demand | Electricity demand is influenced by temperature, variations in which can have an impact on results. | Geographical and technological diversity allows the impact of variations (positive or negative) in a single variable to be mitigated. In order to adequately manage the impact of weather phenomena, weather forecasting activities, supervision and control of the facilities in real time, and long-term climate scenarios are implemented. |
| Transition | Policies and regulation | In the medium term (2022-2030) | Risk/opportunity: policies on price and CO ₂ emissions; incentives for the energy transition; resilience-related regulation | The effects of the policies on energy transition and resilience may have an impact on investments | ENDESA minimises exposure to risks through the progressive decarbonisation of its production system. ENDESA's strategic actions mitigate potential risks and take advantage of the opportunities associated with the energy transition. |
| Transition | Market | In the medium term (2022-2030) | Risk / opportunity: changes in the price of commodities and energy; evolution of the energy mix; change in consumption in the residential sector | Considering two alternative transition scenarios, ENDESA evaluates the effects of evolution in terms of the penetration of renewables in the energy mix and electrification to assess potential impacts | ENDESA maximises opportunities thanks to a strategy geared towards the energy transition, strong development of renewable production and a clear commitment to the electrification of demand. |
| Transition | Products and services | In the medium term (2022-2030) | Opportunity: higher margins and greater investment capacity as a result of the transition, considering the penetration of new electrical technologies for domestic consumption and electric transport | The evolution of transportation and residential electrification will have potential impacts on the business | ENDESA maximises opportunities through a strong strategic positioning on new business opportunities and services. |
| | Technology | In the medium term (2022-2030) | | Considering two alternative transition scenarios, ENDESA evaluates, on the basis of the evolution of transport electrification, the potential opportunities to increase its investments | ENDESA maximises opportunities thanks to a strong strategic positioning on electrical infrastructure. |

ENDESA establishes its Strategic Plan with the aim of minimising risks and maximising opportunities, considering the medium and long-term phenomena identified for its conception.

The reference framework for risks and opportunities included in the previous table shows the relationships between physical scenarios, transition scenarios and the factors that influence ENDESA's business. Such effects, related to the described scenario phenomena, materialise in different time horizons, which leads to evaluate their impact on three-time horizons:

- Short term (1-3 years) in which sensitivity analyses can be made based on the Strategic Plan presented to the markets on 25 November 2020.
- Medium term (until 2030) in which it is possible to appreciate the effect of the energy transition.
- Long term (2030-2050) in which chronic structural changes at climate level should begin to manifest.

The following sections describe the main risks and opportunities identified, as well as the adaptation measures and best operational practices put in place for the management of such weather phenomena as may arise.

39.4.1. Chronic and acute physical risks and opportunities.

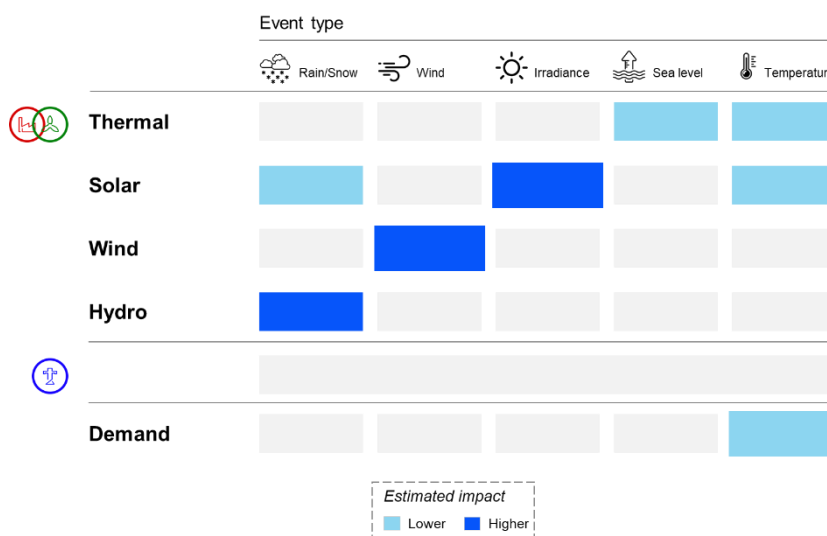
In reference to the risks and opportunities associated with the physical variables, and taking as a reference the scenarios defined by the Intergovernmental Group of Experts on Climate Change (IPCC), we attempt to evaluate the evolution of the following variables and the operational and industrial phenomena as potential risks and opportunities:

Chronic physical changes and associated potential risks and opportunities.

From the scenarios prepared together with the Earth Sciences Department of the International Centre for Theoretical Physics (ICTP), it can be inferred that there is no evidence of significant changes before 2030 and that variations could begin to be seen in the period from 2030 to 2050. The main impacts as a consequence of chronic physical changes would be seen in the following variables:

- Electricity Demand: variation of the average temperature level with a potential effect (increase/decrease) on electricity demand.
- Thermoelectric production: variation of the average level of temperature of bodies of water, with effects on thermoelectric production.
- Hydroelectric production: variation in average levels of precipitation and temperatures with potential increase and/or decrease in hydroelectric production.
- Photovoltaic production: variation in the average level of solar radiation, temperature and rainfall with potential increase and/or decrease in photovoltaic production.
- Wind production: variation in mean levels of wind strength and frequency, with potential increase and/or decrease in wind production.

An identification of the impacts related to the most relevant chronic physical changes for each generation technology has been carried out, and an analysis has been started to determine the impact on their production, taking into account the facilities individually.



Acute physical changes and associated potential risks and opportunities.

The intensity and frequency of acute physical phenomena, extreme events, can cause significant and unexpected damage to facilities, and potential consequences derived from service interruption.

Acute physical phenomena (gales, floods, heat waves, cold snaps, etc.) are characterised by high intensity and a moderate frequency of occurrence in the short term, but with an upward trend in long-term climate scenarios.

Risk assessment methodology for extreme events.

To quantify the risk in the face of extreme events, ENDESA uses a consolidated catastrophic risk analysis methodology, used in the insurance field and also in Intergovernmental Group of Experts on Climate Change (IPCC⁶) reports.

The methodology can be applied to all analysable extreme events, such as gales, heat waves, floods, etc. All types of natural catastrophe are taken into account:

- The probability of the event (Hazard), that is, the theoretical frequency in a certain period of time, the return period.
- Vulnerability, which indicates, in percentage terms, the value lost or affected as a consequence of the extreme event. This allows both the effects on the facilities and the impact on the continuity of the service to be taken into account, both in production and in distribution. ENDESA carries out vulnerability analyses of its facilities, which allow it to define a matrix that relates the types of facilities with the extreme events that might significantly affect them.
- Exposure is the set of economic values, present in ENDESA's portfolio, which may be affected in a non-negligible way in the event of catastrophic natural events. Also, for this parameter, specific analyses are carried out for the different production technologies, for the distribution infrastructures and for the services provided to the end customer.

The set of 3 factors (probability of the event, vulnerability and exposure) constitute the fundamental element for the assessment of the relevant risk as a consequence of extreme events. Considering the climate scenarios, ENDESA differentiates the risk analysis considering the different time horizons. The following table summarises the scheme considered for evaluating the impact as a consequence of extreme events.

| Time horizon | Time Horizon | Hazard | Probability of the event | Vulnerability | Exposure |
|--------------|--------------------------|---|--------------------------|---|--|
| Short term | (1-3 years) | Probability maps based on historical series and meteorological models. | | Vulnerability is related to the type of event, and to the technology, and is fairly independent of the time horizon | ENDESA's values in the short term. |
| Long term | (until 2050 and/or 2100) | Probability maps and specific studies for the different Intergovernmental Group of Experts on Climate Change (IPCC) RCP climate scenarios | | | Evolution of ENDESA's values in the long term. |

⁶ L. Wilson, "Industrial Safety and Risk Management". University of Alberta Press.

T. Bernold. "Industrial Risk Management". Elsevier Science Ltd.

Kumamoto, H. and Henley, E. J., 1996, Probabilistic Risk Assessment And Management For Engineers And Scientists, IEEE Press, ISBN 0-7803100-47

Nasim Uddin, Alfredo H.S. Ang. (eds.), 2012, Quantitative risk assessment (QRA) for natural hazards, American Society of Civil Engineers CDRM Monograph no. 5

UNISDR, 2011. Global Assessment Report on Disaster Risk Reduction: Revealing Risk, Redefining Development. United Nations International Strategy for Disaster Reduction. Geneva, Switzerland.

Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation - A Special Report of Working Groups I-II of the Intergovernmental Panel on Climate Change (IPCC). Cambridge University Press, Cambridge, UK, and New York, NY, USA.

The image shows vulnerability to different extreme events of the different types of installations present in ENDESA's portfolio:



The analysis carried out based on the scenarios allows us to conclude that chronic physical changes in the trend of physical variables will be seen from 2030. In any case, in order to have a rough estimate of the potential impacts, it is possible to perform a stress test of the Strategic Plan based on factors potentially influenced by the physical scenario, without taking into account their direct relationship with climatic variables. For example, annual variations of +/-1% in electricity demand, considering the potential impacts on the entire business, would produce a small effect, less than Euros 30 million per year (with a positive or negative sign). Regarding renewable production, a positive or negative variation of 10% in a single year, stressed separately at the level of each technology, would have a marginal effect: for each technology the impacts would be less than Euros 30 million (with positive or negative sign). These data refer to the impact over a single year for a single production technology, and include both the volume and price effect.

Insurance.

ENEL annually defines insurance coverage programmes for its different businesses, which cover all the Group's subsidiaries, including ENDESA. The 2 main programmes are:

- The Global Property Programme which covers, within the terms of the policies, the costs of rebuilding the affected facility, and the economic loss as a result of the facility's being out of action.
- The Global Liability Programme which covers, within the conditions of the policy, damage to third parties for which ENEL is civilly liable for the development of the activity.

The conditions of the policies are defined based on an appropriate risk assessment, including extreme events associated with climate change.

In any case, the actions that ENDESA carries out in the area of preventive maintenance of generation and distribution facilities are also important and necessary. These actions allow, on the one hand, the impact of extreme events to be mitigated, and on the other the costs of global insurance programmes to be optimised.

39.4.2. Adaptation to climate change

Management of the risk of extreme events in the short term.

In the short term (1-3 years) ENDESA is launching actions with the aim of reducing the impact of extreme events on its businesses.

Generation

The following initiatives stand out:

- Improvement of cooling water management systems to compensate for possible flow reductions in rivers.
- Actions (“Fogging Systems”) to improve air flow and compensate for the reduction in power as a consequence of the increase in ambient temperature.
- Installation of pumps for drainage, periodic cleaning of channels and other actions with the aim of eliminating risks of landslides as a result of torrential rains or floods.
- Periodic reassessment of torrential rain and flood scenarios for hydroelectric facilities. The scenarios are managed through mitigation actions and interventions on the facilities.

Likewise, a series of good practices have been adopted for the appropriate management of adverse weather phenomena:

- Weather forecasts to monitor the availability of renewable resources and occurrence of extreme events, with warning systems to ensure the protection of people and facilities.
- Hydrological simulations, topographical surveys (including with drones), monitoring of possible vulnerabilities through digital GIS (Geographic Information Systems).
- Advanced supervision of more than 100,000 parameters (with more than 160 million historical measurements) taken in reservoirs and hydraulic civil works.
- Remote real-time supervision of electrical production facilities.
- Adoption of specific guidelines for the execution of hydrological and hydraulic studies in the initial phases of development, with the aim of evaluating risks both in the area of the installation and in the surrounding areas.
- Estimation of extreme wind speeds using updated databases that contain records of historical series of gales, in order to choose the most suitable wind turbine technology for the sites.

In addition, in order to react quickly to adverse events, ENDESA adopts specific procedures for managing emergencies with real-time communication protocols, planning and management of all activities to resume activity safely in the shortest possible time, and predefined lists for damage evaluation.

Distribution





For the management of extreme weather events, ENDESA has adopted a “4R” approach that defines the measures to be adopted both in the preparation phase for an emergency, and in the subsequent commissioning phase after the facilities have been damaged by an extreme event. This management is set out in Policy 486 (4R Innovative Resilience Strategy for power distribution networks) and is defined through four phases of action:

- 1) Risk prevention: includes actions that reduce the probability of losing network elements as a result of an event, and/or minimise its impact, and includes actions with the aim of increasing the robustness of infrastructures, as well as maintenance actions.
- 2) Readiness: includes all actions that aim to improve the immediacy with which a potentially critical event is identified, and ensure coordination with Civil Protection and with local administration, as well as to organise resources once the service failure has occurred.
- 3) Response: includes the evaluation phase of the operational capacity to face an emergency once the extreme event occurs, considering both the ability to mobilise operational resources on the ground, as well as the possibility of carrying out remote-controlled feedback manoeuvres through back-up connections.

- 4) Recovery: it is the last phase, which aims to return the network to service, as soon as possible, under normal operating conditions, in those cases in which the extreme event has caused service interruptions despite all the preventive measures adopted.

The distribution business has adopted various policies to integrate the different aspects and risks related to climate change. The following are the most relevant ones:

- Policy 1073 (Guidelines for Readiness Response and Recovery actions during emergencies): includes guidelines for the 3 final phases of the 4R management approach.
- Policy 387 (Guideline for Network Resilience Enhancement Plan): aims to determine the actions to be taken to minimise the impact on the network of extreme events, based on the operating history.
- Policy 439 (Measures for Risk Prevention and Preparation in case of wildfires affecting the electrical installations): integrated approach to emergency management applied to fires in wooded areas, whether they are caused by the grid or by external causes.
- Support actions: implementation of weather forecasting systems, monitoring of the status of the network, preparation of operational plans, and carrying out drills. To highlight the agreements reached to mobilise extraordinary resources (internal and from contractors) to deal with emergency situations.

| Extreme priority events | Fire  | Heat waves  | Ice deposition  | Gales  |
|-------------------------|--|--|--|---|
| Policy | Policy 486 | Policy 486 | Policy 486 | Policy 486 |
| | Policy 1073 | Policy 1073 | Policy 1073 | Policy 1073 |
| | Policy 439 | Policy 387 | Policy 387 | Policy 387 |

In addition to the protocols foreseen for situations that arise in the short term, in collaboration with research organisations, the impact on the network in the short/long term of extreme events identified as significant is being analysed (heat waves, fires and explosive cyclogenesis, among others):

- Heat waves: During 2020 the impact analysis began, brought about by the increased number of days with high temperatures and no rainfall, which makes it difficult to evacuate heat from underground lines, and causes an anomalous increase in the risk of breakdown in the grid, especially in urban and tourist areas.
- Fires: In relation to the risk of fires, and despite the fact that the events suffered to date have not been very significant, a detailed analysis is being carried out in the scenarios for the 2030-2050 period.
- Explosive cyclogenesis: there is an increase in the frequency and intensity of this type of events, with an impact on the continuity of service.

Generation of knowledge on adaptation.

In 2020 the National Plan for Adaptation to Climate Change (“PNACC”) 2021-2030 (see Note 4), was published, which constitutes the basic planning instrument to promote coordinated action to face the effects of climate change in Spain. Its main objective is to avoid or reduce present and future damage deriving from climate change and to build a more resilient economy and society, incorporating new international commitments and considering the most recent knowledge on the risks deriving from climate change, taking advantage of the experience obtained in the development of the National Plan for Adaptation to Climate Change (“PNACC”) 2013-2020. The National Plan for Adaptation to Climate Change (“PNACC”) defines objectives, criteria, areas of work and lines of action to promote adaptation and resilience to climate change.

Using the same criteria and in a complementary way to the analysis of physical risks associated with climate change, and their management, ENDESA has been working on adaptation to climate change for years. In 2011, it began to develop the project "Towards a strategy for adaptation to climate change" which consisted of an analysis of vulnerability to climate change of all the Company's facilities globally. At the date of formulation of these Consolidated Financial Statements, ENDESA has built up extensive experience in the matter, including public-private collaborations with numerous entities ranging from Universities to the Administration itself.

ENDESA developed the first vulnerability project for its facilities, selected by the Spanish Office for Climate Change (“OECC”), of the Ministry for the Ecological Transition and the Demographic Challenge, as the representative of the energy sector for the Adapta Initiative. A programme to develop tools that allow the incorporation of risk and vulnerability to climate change in the business strategies of the basic sectors of Spanish society (energy, tourism, construction, agriculture and transport). Since then, the company has continued to make significant efforts to develop projects in the field of adaptation to climate change, with the intention of advancing its knowledge on the matter and applying the results to optimise the management of its businesses. The most significant projects developed in the field are listed below:

- HIDSOS IV project: Sustainability of Water Resources Under Global Change (2016): Developed in collaboration with the Catalan Institute for Water Research (“ICRA”), it contributed to the assessment of the effects of global change on the hydrological resources available for electricity generation.
- Reservoirs and Climate Change (2016): Developed in collaboration with FLUMEN (UPC + CIMNE), the project pursued the objective of studying and evaluating the impact of global change (climate change plus change in water resources and land use) on the design and operation of the company’s hydroelectric plants.
- Adaptation to Climate Change: In ENDESA's Distribution Business (2016-2017):

The objective of the project was to identify and evaluate the most significant impacts of climate change on the electricity distribution infrastructure, its monetisation and use of the information collected to optimise its management.

- RESCCUE Project (2016-2020):

ENDESA continued during 2020 with its participation in the first major European project on the subject, recently completed, focusing on innovation and urban resilience in the face of climate change. It was carried out in 3 European cities, Barcelona, Lisbon and Bristol, with the aim of evaluating the impact of climate change on the operation of essential services in cities, such as energy and water supply, and providing practical and innovative models and instruments to serve as a catalyst in the field of urban resilience and as a starting point of reference in Europe to move towards more resilient cities in the face of climate change.

Prominent among the broad results obtained were the identification of 4 climate threats (floods, droughts, rise in sea levels and water quality), and the better understanding of the links among urban services to face climate events. Some results that will be used to plan climate adaptation actions, such as the implementation of different systems based on nature to retain a greater amount of water during future extreme and moderate rain events, and a tool to predict failures in the electricity network in the event of flooding, reducing the impacts produced by extreme meteorological phenomena.

In Barcelona, the climate data obtained showed that phenomena such as extreme rainfall, heat waves and droughts could experience significant increases due to an acceleration of the hydrological cycle. In this way, the Project has provided the knowledge and information necessary to update and improve its 2018-2030 Climate Plan.

Finally, it should be noted that ENDESA continues to participate in the main national and international forums on the matter, such as the Continuous Working Group of the National Environment Congress (“CONAMA”) on Adaptation to Climate Change, which will present the results of the work of the last 2 years in the next edition of the Congress, which is scheduled to be held in April 2021

39.4.3. Transition risks and opportunities.

In identifying the risks and opportunities presented by transition, both the evolution of the current situation up to the reference scenario that constitutes the Spanish Integrated National Energy and Climate Plan (“PNIEC”), and an increase in the level of electrification, in line with the Brighter Future scenario, have been considered. The following paragraphs describe the main risks and opportunities identified in relation to the transition scenarios.

Policy and regulation

- Emissions and price of carbon dioxide (CO₂): Introduction of regulations to achieve the transition and the Paris Agreement, introducing stricter emission limits and/or requirements for the electricity generation portfolio not guided by price signals; regulatory interventions on carbon pricing mechanisms, carbon tax in non- Emissions Trading System (ETS) sectors, or expansion of the Emissions Trading System (ETS).
 - o Opportunities: Mechanisms that strengthen the CO₂ market with stable price signals.
 - o Risks: Control and command type regulatory adjustments to CO₂ with destabilising effect on prices.
- Development of renewable energy and energy efficiency: use of low-emission energy sources as the main basis of the country's energy mix, with incentives and opportunities for the development of renewable sources, energy efficiency and flexibility of the electricity and energy system and positive impacts in terms of ROI and new business opportunities;
 - o Opportunities: positive externalities in volumes and investment margins. The Spanish Integrated National Energy and Climate Plan ("PNIEC") for 2021-2030 sets an ambitious target for the penetration of renewables, foresees that in 2030 74% of the total electricity generation will be of renewable origin, consistent with a trajectory towards a 100% renewable electricity sector in 2050, and complemented by increasing growing additional power in storage. Likewise, in terms of energy efficiency, which is one of the pillars of the Spanish Integrated National Energy and Climate Plan ("PNIEC"), an improvement target of 39.5% is set in 2030.
 - o Risks: difficulty in developing projects due to situations such lack of access to the network, obtaining environmental permits, etc.
- Regulation on resilience to improve standards, or introduction of ad hoc mechanisms to regulate investment in resilience.
 - o Opportunities: benefits associated with the allocation of investments aimed at reducing the risks of quality and continuity of service for customers.
 - o Risks: impact on reputation derived from damage and service replacement times in the event of extreme events. Possible penalties associated with a lack of adequate response regarding service replacement after an extreme event.
- Policies to incentivise the transition in financial matters: the new European Union (EU) Recovery Plan, the ultimate goal of which is to help Member States cope with the economic and social repercussions of the COVID-19 pandemic. Spain will receive close to Euros 140,000 million, of which Euros 72,000 million will be outright grants and a minimum of 30% of this fund (Euros 42,000 million) will be used to decarbonise the economy.
 - o Opportunities: positive externalities in terms of lower financing costs and greater investment capacity.
 - o Risks: incentives for less mature technologies, which reduce support for electrification by reducing the competitive advantage of the technologies adopted by ENDESA.

Market.

- Market dynamics, such as those related to the variability of commodity prices, the increase in electricity consumption due to the energy transition, and the penetration of renewable energies have an impact on trade parameters, with an effect on margins and production and sales volumes
 - o Opportunities: The positive effects deriving from the increased demand for electricity and the greater space for renewable energy have positive effects on the volumes and returns on investment.
 - o Risks: Exposure of "merchant" technologies to the volatility of market prices.

Technology.

- Progressive penetration of new technologies such as storage, demand response and green hydrogen; digital lever to transform operating models and platform business models.
 - o Opportunities: Investments in the development of technological solutions.

Electricity grids have a leading role in Spanish Integrated National Energy and Climate Plan (“PNIEC”), as a facilitator to allow the integration of new renewable capacity in the System, while facilitating flexibility and demand management. For its development, the Spanish Integrated National Energy and Climate Plan (“PNIEC”) allocates 24% of the estimated investments, reaching a total of Euros 58,579 million.

Products and services.

- Progressive penetration of products capable of guaranteeing lower costs and less impact in terms of emissions.
 - o Opportunity: Increased demand for low-carbon products and services.
 - o Risks: Tariff structure that does not allow the generation of efficient price signals to encourage the penetration of low-carbon products and services. Entry of new agents in the market.
- Electrification of the transport and residential sectors by means of the use of more efficient modes of transport and HVAC from the point of view of climate change, with particular reference to the development of electric mobility and charging infrastructures as well as greater penetration of heat pumps.
 - o Opportunities: Positive effects deriving from the increased demand for electricity and higher margins related to the penetration of electric transport.
 - o Risks: Tariff structure that does not allow the generation of efficient price signals to encourage the electrification of transport. Entry of new agents in the market.

The Spanish Integrated National Energy and Climate Plan (“PNIEC”) is brought about through 3 routes, and one of them is the electrification of the economy, which will help fulfil, among others, the objective established by 2030 of reaching 42% of renewable energy over total consumption of final energy, as well as achieving a reduction of diffuse Greenhouse Gas emissions by 39% in the same year compared to 2005. More specifically and in parallel with the development of renewable energies, the electrification of demand must contemplate a strong development of electric mobility and the use of electricity in residential heating. The Spanish Integrated National Energy and Climate Plan (“PNIEC”) foresees that the presence of renewables in the mobility-transport sector will be a driving force to drive its decarbonisation, expecting to reach 5 million electric vehicles by 2030. Likewise, the Spanish Integrated National Energy and Climate Plan (“PNIEC”) incorporates ambitious plans for renovating residential equipment.

39.5. Metrics and objectives.

39.5.1. Reporting model: Transparency.

ENDESA promotes a reporting model based on transparency, with the aim of making it clear to stakeholders that its commitment and ambition in the fight against climate change is firm, determined and realistic.

39.5.2. Carbon footprint.

On 21 January 2020 the Council of Ministers declared the climate emergency with the commitment to adopt 30 priority lines of action to combat climate change. One of the first 5 planned measures was to define the long-term decarbonisation path, a strategy that was approved on 3 November 2020 and that sets the path to reach climate neutrality by 2050. The path established in the Long-Term Decarbonisation Strategy (“ELP 2050”) will reduce Greenhouse Gases emissions (GHG) by 90% by 2050 compared with 1990. The remaining 10% will be absorbed by carbon sinks.

ENDESA has a proven track record in the decarbonisation of its activity, with a 70% reduction in its CO₂ emissions since 2005. This path will maintain its trend thanks to the Strategic Plan 2021-2023, which establishes even more ambitious objectives than in the previous Strategic Plan, now set for the entire Scope 1 of the company, to achieve an 80% reduction in specific emissions of CO₂ equivalent in 2030 compared with 2017, which allows it to be aligned with a scenario of maximum increase in global average temperature of 1.5 °C compared with the pre-industrial period.

A roadmap has been established to achieve the total decarbonisation of the energy generation mix in 2050 and the calculation of the Carbon Footprint is a key instrument to achieve this since it allows a detailed inventory of Greenhouse Gases emissions (GHG) emissions generated by a company.

ENDESA has voluntarily calculated and verified its Carbon Footprint since 2009.

During 2020, ENDESA verified its Carbon Footprint for the 2019 financial year and published the corresponding report (<https://www.endesa.com/content/dam/endesa-com/home/prensa/publicaciones/otraspublicaciones/documentos/Huella-de-carbono-2019.pdf>).

ENDESA has registered its Carbon Footprint since 2013 and has a proven track record on emission reduction in accordance with the criteria established by the Spanish Climate Change Office.

Since registering its 2016 Footprint, it has been awarded the 'Calculate' and 'Reduce' seals. With the registration of the Carbon Footprint of 2017, the 'Compensation' seal was also activated, a recognition that has been renewed again with the registration of the Carbon Footprint of 2019, since the 'ENDESA Forest' initiative has made it possible to offset the emissions associated with employee travel and paper consumption in the buildings, in addition to those associated with the generators of the hydroelectric plants and the operation of the photovoltaic plants.

ENDESA is the first company in the Spanish energy sector that has managed to renew those 3 Carbon Footprint Register seals for a third consecutive year.



39.5.3. Direct and indirect emissions of carbon dioxide (CO₂).

Carbon dioxide (CO₂) emissions Scope 1, 2 and 3:

| | CO ₂ (t) Scope 1 | CO ₂ (t) Scope 2 | CO ₂ (t) Scope 3 |
|------|-----------------------------|-----------------------------|-----------------------------|
| 2018 | 31,292,646 | 519,352 | 29,485,680 |
| 2019 | 17,474,762 | 460,890 | 25,359,022 |
| 2020 | 10,298,760 | 512,960 | 22,663,490 |

The results shown in the table above for the years 2018 and 2019 are the verified values. Any difference with previously published data corresponds to the fact that at the time of publication of the previous report, the external verification process was being carried out according to the UNE EN ISO 14.064 standard, and the results were subject to some modification.

At the date of preparation of these Consolidated Financial Statements the calculation of ENDESA's Carbon Footprint results for 2020 is in the process of verification.

ENDESA calculates and verifies its emissions according to the guidelines contained in the Greenhouse Gas emissions (GHG) Protocol, with the location-based approach. This international standard provides the norms

and guidelines for companies and other organisations regarding the preparation of the inventory of Greenhouse Gas emissions (GHG).

Regarding the emissions produced in the different scopes, it is worth highlighting:

Scope 1. Direct emissions

Direct Greenhouse Gas emissions (GHG), meaning those that come from sources that are controlled by the company itself.

This classification includes:

- Carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O) emissions derived from the consumption of fuels (coal, fuel oil/gasoil, natural gas, biogas) for electricity production at generation plants.
- Fugitive emissions of sulphur hexafluoride (SF₆) at electricity distribution facilities owned by ENDESA and at thermal and nuclear generation plants.
- Fugitive emissions of hydrofluorocarbon (HFC) in the management of port terminals.
- Fugitive emissions of carbon dioxide (CO₂) in fire extinguishing equipment in the management of port terminals.
- Fugitive methane emissions (CH₄) in reservoirs owned by ENDESA associated with hydroelectric generation.
- Carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O) emissions derived from fuel consumption in boilers and generators in administrative activities in ENDESA's buildings.
- Emissions of carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O) derived from fuel consumption in ENDESA's own fleet of vehicles.

Scope 1 decreased by more than 41% in 2020 compared with 2019. The bulk of Scope 1 in the case of ENDESA is given by the use of fuels in electricity generation. The variation in emissions depends largely on factors such as annual rainfall, the increase or decrease in energy demand and the contribution of renewable energy to a greater or lesser extent to the energy mix.

The generation of thermal energy decreased in 2020 by more than 32% compared with 2019, which has led to a reduction in absolute Greenhouse Gas emissions (GHG), which has also been accompanied by a reduction in specific emissions, both as a consequence of ENDESA's investment efforts dedicated to transforming the business model and reducing the environmental impact of its activity.

The intensity of CO₂ emissions is calculated from the Emissions Trading System (ETS) certified direct emissions from thermal generation facilities, divided by the net electricity production.

The following table shows the evolution of the intensity of emissions.

| | Absolute (Tons) | Specific (kgCO ₂ /kWh) |
|------|-----------------|-----------------------------------|
| 2018 | 30,979,870 | 0,418 |
| 2019 | 17,287,446 | 0,282 |
| 2020 | 10,127,953 | 0,180 |

In 2020 ENDESA has reduced specific emissions by 36 % compared with 2019 and almost 57% compared with 2018, thus announcing an acceleration on the path of decarbonisation and energy transition.

In addition, to demonstrate the company's emissions reduction pathway in accordance with the target established in the 2021-2023 Strategic Plan to reduce specific Scope 1 carbon dioxide (CO₂) equivalent emissions to 150 gCO₂eq/kWh in 2023 and below 95 gCO₂eq/kWh in 2030, a level of emissions aligned with the Science Based Targets initiative (SBTi) criterion to limit the temperature increase to 1.5 °C, the Scope 1 emissions intensity is calculated, which in 2020 was 183 gCO₂eq/kWh.

Scope 2. Indirect emissions from energy

Scope 2 indirect emissions are those emissions deriving from the company's activity, but generated by other entities. These emissions include:

- Emissions associated with the generation of electricity necessary to compensate for the technical losses produced during the distribution of electricity not generated by ENDESA.

Scope 3. Other indirect emissions

They include the rest of the indirect emissions that are a consequence of the company's activities, but that have been generated from sources that are not owned or controlled by the company. This scope includes all those associated with the different stages of the life cycle of electricity that are not controlled by the company and that have not been included in the previous scopes.

This scope includes:

- Emissions associated with the extraction, production and transport of fuels consumed in the company's operation.
- Emissions associated with the manufacture and transport of chemical products consumed in the company's operation.
- Emissions associated with the transport and treatment of waste generated in the company's operation.
- Extraction, production, transport and use by the end user of the natural gas marketed.
- Generation of marketed electricity that has not been generated in ENDESA's own generation plants.
- Emissions associated with business trips by air, rail and rental cars.
- Emissions associated with the vehicle fleet of maintenance and facilities subcontractors (electricity distribution, renewable generation).
- Emissions associated with employees' commuting.

The limits that define the geographical scope of the Carbon Footprint are determined by:

- The location of the facilities included in the systems considered, for Scope 1 and 2 emissions.
- The countries and regions where the different stages of the life cycles that make up the indicated systems take place, as well as the marketing and sales activities for Scope 3 emissions.

39.5.4. Objectives

The 2021-2023 Strategic Plan reflects the commitment to achieve a 100% decarbonised economy by 2050, in line with the EU objectives of combating climate change

- Reduce specific Scope 1 CO₂ equivalent emissions by 80% by 2030 compared with 2017 enabling to stay aligned with a scenario of a maximum increase in global average temperature of 1.5 °C compared with the pre-industrial period.
- Increase renewable generation facilities from the current 7.7 GW to 11.5 GW in 2023, with an associated investment of around Euros 3,000 million and the aspiration to exceed 18 GW in 2030 with an investment of approximately Euros 10,000 million.

This will allow to reach generation which is 80% CO₂ emission-free by 2030.

The Strategic Plan for 2021-2023 increases investment by 25% to Euros 7,900 million to accelerate decarbonisation and digitisation.

This significant increase in investment focuses on renewable energies and digitalisation of the grid, as well as on the electrification of residential demand and demand from sectors such as industry and transport, streamlining the path to decarbonisation and the energy transition.

39.6. Transparency and recognition.

39.6.1. Carbon Disclosure Project

ENDESA, in its commitment to the environment, collaborates voluntarily with the Carbon Disclosure Project (CDP).

“Carbon Disclosure Project” (CDP) is an international, non-profit organisation whose objective is to provide the largest and most comprehensive global environmental dissemination system, allowing investors, companies, authorities and governments to mitigate risks in the use of energy and natural resources, as well as to identify opportunities for a more responsible approach to the environment.

In 2020, more than 515 institutional investors with assets worth USD 106 trillion, and more than 150 large clients with USD 4 trillion in purchase volume urged companies to disclose their performance on environmental impacts, risks and opportunities through the Carbon Disclosure Project (CDP) platform. This same year, more than 9,600 companies responded to the proposed questionnaire, companies representing more than 50% of the world's market capitalization.

ENDESA has participated since 2006 in the CDP Climate Change initiative, the most prestigious index on climate change, which offers global information on the management of risks and opportunities identified by the largest companies worldwide.

ENDESA renews its Leadership rating, although this year with the highest possible score as it is included in List A.

ENDESA is playing a key role in the fight against climate change, demonstrating its leadership and significantly contributing to the fulfilment of national and international commitments that address the decarbonisation of the planet. In 2020, Carbon Disclosure Project (CDP) has included ENDESA in List A, which recognises leading companies in climate action and transparency

39.6.2. Climate Projects

ENDESA continues to participate in the Climate Projects led by the Spanish Office for Climate Change and, for the second consecutive year, obtained the "Certificate of Recognition of Verified Emission Reductions" from the Ministry for the Ecological Transition and the Demographic Challenge, after an exhaustive verification process of its projects during 2020.

Climate Projects are projects promoted by the Ministry for Ecological Transition and the Demographic Challenge, through the Carbon Fund for a Sustainable Economy (FES-CO₂), with the primary objective of reducing Greenhouse Gas emissions (GHG) in the so-called “diffuse sectors” and mark a path of transformation of the productive system towards a low carbon model.

In 2020, ENDESA saw its verified emission reductions recognised thanks to six activities focusing on the areas of mobility and sustainable engineering.

Within the scope of Sustainable Mobility, there is the Electric Mobility Plan through Car-Sharing (Madrid and Zaragoza), which aims to promote a modal change in the use of employee transport, promoting the use of electric vehicles instead of taxis for their trips for work, with the consequent reduction of emissions that this implies.

On the other hand, there are the Electric Mobility Plans for employees of 2017 and 2018. These plans again offer workers the possibility of having an electric vehicle at a lower cost for a period of 3 years that can be extended. Finally, there is the Electric Mobility Plan for construction vehicles whose objective is to replace combustion vehicles used in the displacement of the construction of new renewable plants, with 100% electric vehicles, thus reducing CO₂ emissions.

Finally, the Sustainable Engineering programme includes Sustainable Engineering on site with solar energy. This project consists of the installation of photovoltaic panels in construction works for new renewable plants, to generate electrical energy, thus reducing fossil fuel consumption by generators.

Thanks to its participation in Climate Projects, ENDESA has achieved recognition of the reduction of more than 600 metric tons equivalent of CO₂ in 2020 and almost 2,000 metric tons in total.

Lastly, the company has once again been recognised by the Ministry for the Ecological Transition and the Demographic Challenge, 2 ENDESA projects having been selected in the last tender process launched by the FES-CO₂: Call for Climate Projects 2019. These are the Electric Mobility projects for Employees and construction vehicles, and the Sustainable Engineering on site with Solar Energy.

39.7. Other initiatives on climate change.

For ENDESA, the "Cap and Trade" system is the most efficient method to reduce emissions, especially in industrialised economies. Defining an absolute emissions target guarantees efficiency in achieving the environmental target, while the market price signal guarantees economic efficiency and minimisation of costs. In general, ENDESA believes that the institution of a "Cap and Trade" system based on a solid regulatory framework guarantees the certainty of long-term climate objectives and allows market mechanisms to determine prices consistent with macroeconomic cycles and with the market conditions.

On the other hand, environmental taxation can be analysed for the so-called diffuse sectors, made up of distributed sources of emissions. The debate on the appropriateness of the "Cap and Trade" or carbon tax must develop from a multitude of perspectives, balancing the cost-effectiveness of regulatory mechanisms with technical and regulatory feasibility.

In any case, considering the level of climate ambition proposed at the EU and national level, it is important to consider the possibility of extending the application of carbon pricing mechanisms to those emissions not currently covered, mainly those associated with diffuse sectors. It is logical to suggest that, based on the "Cap and Trade" system or through environmental taxation, all Greenhouse Gas emissions (GHG) should be covered by some price mechanism, otherwise the proposed climate ambition would be incoherent, with a carbon price mechanism covering only about 40% of emissions.

It should be emphasised that carbon pricing mechanisms cannot be interpreted as a sufficient solution for the decarbonisation of the economy. In general and especially for certain sectors, such as transport or residential, in addition to their high segmentation there are barriers such as inelasticity of demand, lack of correspondence between use and ownership, financing difficulties or the absence of the required infrastructure, so that the price mechanisms should be part of a package of measures that allows a broad decarbonisation to be achieved.

Therefore, ENDESA recognises the role of carbon pricing mechanisms in providing an adequate price signal for CO₂ emissions and as the most effective way of instrumentalising the fulfilment of the emission reduction targets that have been committed to. The environmental and climate change pillars of ENDESA are based on those of the European Union (EU), so the Company welcomes the EU Green Deal and support the ongoing review of the Directive on the Emissions Trading Scheme, although, whether through its expansion or through emission tax instruments, it is believed that there should be an adequate price signal for any emission, regardless of its origin.

39.7.1. The carbon market and offsetting mechanisms

Flexible project-based emission reduction mechanisms, such as the Clean Development Mechanism (CDM), have represented an important part of ENDESA's climate change strategy.

The activity of monitoring Clean Development Mechanism (CDM) projects, development of the voluntary market and ENDESA's participation in different Funds managed by the World Bank has been carried out by the Global Front Office Unit.

Global Front Office has allowed ENDESA to continue to be an international benchmark in the carbon market.

39.7.2. Carbon funds.

ENDESA has participated in 3 carbon Funds managed by the World Bank: Community Development Carbon Fund (CDCF), Spanish Carbon Fund (SCF) and Carbon Partnership Facility (CPF).

Despite no longer participating, since being included in them ENDESA not only contributed to the reduction of emissions, but also participated in the complementary benefits provided to the most disadvantaged communities.

39.7.3. Voluntary offsets of Greenhouse Gas emissions (GHG).

ENDESA continued with its policy of offsetting Greenhouse Gas emissions (GHG) emissions from events in which it participates as a sponsor, its own internal events and publications, using credits from its portfolio of Clean Development Mechanism (CDM) projects for the purpose. A highlight of 2020 was the offsetting of Greenhouse Gas emissions (GHG) from basketball matches played during the Copa del Rey and the Copa de la Reina. ENDESA calculated the emissions associated with these sporting events, generated by consumption, transport, catering and overnight stays, as well as sending material to the participants of 2 internal sustainability awareness programmes. In total, more than 1,400 metric tons of CO₂ equivalent were offset.

On this occasion, the credits used to offset internal events come from various hydroelectric generation projects in Southeast Asia.

39.7.4. Carbon capture and reuse

During 2020, ENDESA has continued to carry out various initiatives in the field of Carbon Capture, Storage and Use (CCUS):

- Since 2011, ENDESA has operated a microalgae cultivation pilot plant for the capture and revaluation of CO₂, located in the Litoral (Almería) thermal power plant. The main objective of this plant is to test new types of photobioreactors, cultivation methods, as well as microalgae and to develop processes for the recovery of the biomass obtained. In this area, during this year the milestones of the European LIFE ALGAR-BBE project continued to be met, where it is intended to recover the biomass generated to obtain bio stimulants with biocidal activity. The project will implement, evaluate and disseminate a new approach in the context of sustainable agriculture through the use of bio stimulants with biocidal activity containing microalgae, mitigating the adverse effects on the environment and human health of chemical pesticides that are currently use. In parallel, collaborations have been carried out with the Universities of Granada and Cádiz in projects based on the development of medicinal applications of microalgae, and a patent has been obtained in this field.

As a consequence of the excellent results obtained in the microalgae pilot plant, a larger plant (approximately 2 ha) and much more productive capacity is being built, which would be installed on the land currently occupied by the thermal power plant and which would allow it to start up in an industrial way the results obtained in the projects developed in recent years at the pilot plant.

40. Events after the reporting period.

On 31 May 2016, ENDESA filed a claim for damages against the General State Administration for having applied an illegal regulation, Order ITC/3315/2007, of 15 November 2007, annulled by Supreme Court Ruling, which had caused it damage, the reduction of its remuneration as a generating company in the amount of the internalisation of the carbon dioxide (CO₂) emission rights freely assigned by the National Allocation Plan for Emission Rights (NAP), which it has no legal duty to bear.

ENDESA requested payment of Euros 285 million, of which Euros 188 million corresponds to physical bilateral contracts and Euros 97 million to assimilated physical bilateral contracts. The contentious-administrative appeal against the presumed rejection was filed with the National High Court on 3 March 2017, and on 12 February 2020, it handed down a ruling in which it upheld the concurrence of the asset liability, although it limited this to the amount corresponding only to the physical bilateral contracts, on the understanding that the

Supreme Court ruling that annulled Order ITC/3315/2007, of 15 November 2007, from which the asset liability is derived, refers exclusively to these. That judgment establishes that the determination of the amounts subject to compensation, and their updating, will be determined by the Spanish Markets and Competition Commission (“CNMC”). The Eighth Ground of Law of the Judgment of the Audiencia Nacional stated: “Consequently, as regards the determination of the damages, and given that this requires the practice of a series of complex calculations, and also taking into account that some of the items claimed have not been accepted, it will be appropriate for the amount to be determined by the National Markets and Competition Commission (“CNMC”), in the terms established in article 2 of Royal Decree Law 3/2006, of 24 February, excluding the part of the reduction applied to the physical bilateral contracts, as reasoned in this judgment.”

The State Lawyer filed a cassation appeal on 4 September 2020, and on 30 October 2020, ENDESA filed a brief opposing its admission. On 12 February 2021, notification was given of the Ruling of the previous day by which the Supreme Court rejected the appeal in cassation prepared by the General State Administration. The State Attorney could file an appeal for protection (“recurso de amparo”) before the Constitutional Court against this ruling - or possibly, directly, against the National High Court’s Judgment - after an incident of nullity of the proceedings, if applicable.

Except as mentioned in the preceding paragraphs, no significant events have occurred between 31 December 2020 and the date of formulation of these Consolidated Financial Statements that have not been reflected in these Financial Statements.

41. Explanation added for translation to English

These Consolidated Financial Statements are presented on the basis of IFRSs, as adopted by the European Union. Consequently, certain accounting practices applied by the Group that conform to IFRSs may not conform to other generally accepted accounting principles in other countries. Translation from the original issued in Spanish. In the event of discrepancy, the Spanish-language version prevail.

Appendix I: ENDESA companies

| Company (in alphabetical order) | % ownership at 31/12/2020 | | | % ownership at 31/12/2019 | | | Registered office | Activity | Auditor |
|---|---------------------------|----------|----------------------|---------------------------|----------|----------------------|------------------------------------|---|----------------|
| | Control | Economic | Consolidation method | Control | Economic | Consolidation method | | | |
| AGUILÓN 20, S.A. | 51.00 | 51.00 | FC | 51.00 | 51.00 | FC | ZARAGOZA (SPAIN) | WIND FARMS | KPMG AUDITORES |
| ALMUSSAFES SERVICIOS ENERGETICOS, S.L. (SOLE SHAREHOLDER COMPANY) | - | - | - | 100.00 | 100.00 | FC | BARCELONA (SPAIN) | POWER GENERATION | - |
| ARAGONESA DE ACTIVIDADES ENERGETICAS, S.A. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | TERUEL (SPAIN) | DISTRIBUTION AND SALE OF ELECTRICITY | KPMG AUDITORES |
| ARANORT DESARROLLOS, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | WIND FARMS | KPMG AUDITORES |
| ASOCIACION NUCLEAR ASCO-VANDELLÓS II, A.I.E. | 85.41 | 85.41 | PC | 85.41 | 85.41 | PC | TARRAGONA (SPAIN) | MANAGEMENT, OPERATION AND ADMINISTRATION OF NUCLEAR PLANTS | KPMG AUDITORES |
| BAIKAL ENTERPRISE, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | PALMA DE MALLORCA (SPAIN) | PHOTOVOLTAIC PLANT | KPMG AUDITORES |
| BALARES ENERGY, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | PALMA DE MALLORCA (SPAIN) | PHOTOVOLTAIC PLANT | KPMG AUDITORES |
| BAYLIO SOLAR, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | PHOTOVOLTAIC PLANT | KPMG AUDITORES |
| BOGARIS PV1, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | SEVILLE (SPAIN) | PHOTOVOLTAIC PLANT | UNAUDITED |
| BOSA DEL EBRO, S.L. | 51.00 | 51.00 | FC | 51.00 | 51.00 | FC | ZARAGOZA (SPAIN) | WIND FARMS | KPMG AUDITORES |
| CASTIBLANCO SOLAR, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | PHOTOVOLTAIC PLANT | KPMG AUDITORES |
| DEHESA DE LOS GUADALUPES SOLAR, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | PHOTOVOLTAIC PLANT | KPMG AUDITORES |
| DEHESA PV FARM 03, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | PHOTOVOLTAIC PLANT | UNAUDITED |
| DEHESA PV FARM 04, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | PHOTOVOLTAIC PLANT | UNAUDITED |
| DISTRIBUIDORA DE ENERGIA ELECTRICA DEL BAGES, S.A. | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | BARCELONA (SPAIN) | ENERGY DISTRIBUTION AND SUPPLY | KPMG AUDITORES |
| DISTRIBUIDORA ELECTRICA DEL PUERTO DE LA CRUZ, S.A. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | SANTA CRUZ DE TENERIFE (SPAIN) | PURCHASE, TRANSMISSION, DISTRIBUTION AND SUPPLY OF ELECTRICITY | KPMG AUDITORES |
| EDISTRIBUCION REDES DIGITALES, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | ELECTRICITY DISTRIBUTION | KPMG AUDITORES |
| ELECTRICA DE JAFRE, S.A. | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | BARCELONA (SPAIN) | ENERGY DISTRIBUTION AND SUPPLY | KPMG AUDITORES |
| ELECTRICA DEL EBRO, S.A. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | BARCELONA (SPAIN) | ENERGY DISTRIBUTION AND SUPPLY | KPMG AUDITORES |
| EMINTEGRAL CYCLE, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | PHOTOVOLTAIC PLANT | UNAUDITED |
| EMPRESA CARBONIFERA DEL SUR, S.A. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | EXPLOITATION OF COAL FIELDS | KPMG AUDITORES |
| EMPRESA DE ALUMBRADO ELECTRICO DE CEUTA, S.A. | 96.37 | 96.37 | FC | 96.29 | 96.29 | FC | CEUTA (SPAIN) | ELECTRICITY DISTRIBUTION AND SUPPLY | KPMG AUDITORES |
| EMPRESA DE ALUMBRADO ELECTRICO DE CEUTA DISTRIBUCION, S.A. (SOLE SHAREHOLDER COMPANY) | 100.00 | 96.37 | FC | 100.00 | 96.26 | FC | CEUTA (SPAIN) | ELECTRICITY DISTRIBUTION | KPMG AUDITORES |
| ENDESA CAPITAL, S.A. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | ISSUANCE OF DEBT INSTRUMENTS | KPMG AUDITORES |
| ENDESA COMERCIALIZAÇÃO DE ENERGIA, S.A. | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | PORTO (PORTUGAL) | SUPPLY OF ENERGY PRODUCTS | KPMG AUDITORES |
| ENDESA ENERGIA RENOVABLE, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | SUPPLY OF ENERGY PRODUCTS | KPMG AUDITORES |
| ENDESA ENERGIA, S.A. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | SUPPLY OF ENERGY PRODUCTS | KPMG AUDITORES |
| ENDESA FINANCIACION FILIALES, S.A. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | FINANCING OF THE SUBSIDIARIES OF ENDESA, S.A. | KPMG AUDITORES |
| ENDESA GENERACION II, S.A. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | SEVILLE (SPAIN) | ELECTRICITY GENERATION | UNAUDITED |
| ENDESA GENERACION NUCLEAR, S.A. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | SEVILLE (SPAIN) | MANAGEMENT OF NUCLEAR ASSETS AND MANAGEMENT, PRODUCTION AND SALE OF ELECTRICITY | UNAUDITED |
| ENDESA GENERACION PORTUGAL, S.A. | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | LISBON (PORTUGAL) | ELECTRICITY PRODUCTION AND RELATED ACTIVITIES | KPMG AUDITORES |
| ENDESA GENERACION, S.A. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | SEVILLE (SPAIN) | ELECTRICITY PRODUCTION AND SUPPLY | KPMG AUDITORES |
| ENDESA INGENIERIA, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | SEVILLE (SPAIN) | CONSULTANCY AND CIVIL ENGINEERING SERVICES | KPMG AUDITORES |
| ENDESA MEDIOS Y SISTEMAS, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | PROVISION OF SERVICES | KPMG AUDITORES |
| ENDESA OPERACIONES Y SERVICIOS COMERCIALES, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | PROVISION OF SERVICES TO ENDESA DISTRIBUCION ELECTRICA AND TO ENDESA ENERGIA | KPMG AUDITORES |
| ENDESA POWER TRADING LTD. | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | LONDON (UK) | TRADING OPERATIONS | KPMG AUDITORES |
| ENDESA RED, S.A. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | DISTRIBUTION ACTIVITIES | KPMG AUDITORES |
| ENDESA SOLUCIONES, S.L. (1) | 20.00 | 20.00 | EM | 100.00 | 100.00 | FC | MADRID (SPAIN) | SUPPLY OF ENERGY PRODUCTS AND SERVICES | DELOITTE |
| ENDESA X SERVICIOS, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | - | - | - | MADRID (SPAIN) | SERVICES ASSOCIATED WITH THE SUPPLY OF ENERGY PRODUCTS | KPMG AUDITORES |
| ENDESA X, S.A. (SOLE SHAREHOLDER COMPANY) (IN LIQUIDATION) | - | - | - | 100.00 | 100.00 | FC | MADRID (SPAIN) | SERVICES ASSOCIATED WITH THE SUPPLY OF ENERGY PRODUCTS | - |
| ENEL GREEN POWER ESPAÑA, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | ELECTRICITY GENERATION FROM RENEWABLE SOURCES | KPMG AUDITORES |
| ENERGIA CEUTA XXI COMERCIALIZADORA DE REFERENCIA, S.A. (SOLE SHAREHOLDER COMPANY) | 100.00 | 96.37 | FC | 100.00 | 96.29 | FC | CEUTA (SPAIN) | ELECTRICITY SUPPLY | KPMG AUDITORES |
| ENERGIA EOLICA ALTO DEL LLANO, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | WIND FARMS | KPMG AUDITORES |
| ENERGIA NETA SA CASETA LLUCMAJOR, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | PALMA DE MALLORCA (SPAIN) | PHOTOVOLTAIC PLANT | KPMG AUDITORES |
| ENERGIA XXI COMERCIALIZADORA DE REFERENCIA, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | SERVICES ASSOCIATED WITH THE SUPPLY OF ENERGY PRODUCTS | KPMG AUDITORES |
| ENERGIAS ALTERNATIVAS DEL SUR, S.L. | 54.95 | 54.95 | FC | 54.95 | 54.95 | FC | LAS PALMAS DE GRAN CANARIA (SPAIN) | WIND FARMS | KPMG AUDITORES |

| Company (in alphabetical order) | % ownership at 31/12/2020 | | | % ownership at 31/12/2019 | | | Registered office | Activity | Auditor |
|---|---------------------------|----------|----------------------|---------------------------|----------|----------------------|------------------------------------|--|----------------|
| | Control | Economic | Consolidation method | Control | Economic | Consolidation method | | | |
| ENERGÍAS DE ARAGÓN I, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | ZARAGOZA (SPAIN) | TRANSMISSION, DISTRIBUTION AND SALE OF ELECTRICITY | KPMG AUDITORES |
| ENERGÍAS DE GRAUS, S.L. | 66.67 | 66.67 | FC | 66.67 | 66.67 | FC | ZARAGOZA (SPAIN) | HYDROELECTRIC POWER PLANT | KPMG AUDITORES |
| ENERGÍAS ESPECIALES DE CAREÓN, S.A. | 77.00 | 77.00 | FC | 77.00 | 77.00 | FC | LA CORUÑA (SPAIN) | WIND FARMS | KPMG AUDITORES |
| ENERGÍAS ESPECIALES DE PEÑA ARMADA, S.A. | 80.00 | 80.00 | FC | 80.00 | 80.00 | FC | MADRID (SPAIN) | WIND FARMS | KPMG AUDITORES |
| ENERGÍAS ESPECIALES DEL ALTO ULLA, S.A. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | WIND FARMS | KPMG AUDITORES |
| ENVATIOS PROMOCIÓN I, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | PHOTOVOLTAIC PLANT | UNAUDITED |
| ENVATIOS PROMOCIÓN II, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | PHOTOVOLTAIC PLANT | UNAUDITED |
| ENVATIOS PROMOCIÓN III, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | PHOTOVOLTAIC PLANT | UNAUDITED |
| ENVATIOS PROMOCIÓN XX, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | SEVILLE (SPAIN) | PHOTOVOLTAIC PLANT | UNAUDITED |
| EÓLICA DEL CIERZO, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | ZARAGOZA (SPAIN) | WIND FARMS | KPMG AUDITORES |
| EÓLICA DEL PRINCIPADO, S.A. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | ASTURIAS (SPAIN) | WIND FARMS | KPMG AUDITORES |
| EÓLICA VALLE DEL EBRO, S.A. | 50.50 | 50.50 | FC | 50.50 | 50.50 | FC | ZARAGOZA (SPAIN) | WIND FARMS | KPMG AUDITORES |
| EÓLICAS DE AGAETE, S.L. | 80.00 | 80.00 | FC | 80.00 | 80.00 | FC | LAS PALMAS DE GRAN CANARIA (SPAIN) | WIND FARMS | KPMG AUDITORES |
| EÓLICAS DE FUENCALIENTE, S.A. | 55.00 | 55.00 | FC | 55.00 | 55.00 | FC | LAS PALMAS DE GRAN CANARIA (SPAIN) | WIND FARMS | KPMG AUDITORES |
| EÓLICOS DE TIRAJANA, S.L. | 60.00 | 60.00 | FC | 60.00 | 60.00 | FC | LAS PALMAS DE GRAN CANARIA (SPAIN) | WIND FARMS | KPMG AUDITORES |
| EXPLOTACIONES EÓLICAS DE ESCUCHA, S.A. | 70.00 | 70.00 | FC | 70.00 | 70.00 | FC | ZARAGOZA (SPAIN) | WIND FARMS | KPMG AUDITORES |
| EXPLOTACIONES EÓLICAS EL PUERTO, S.A. | 73.60 | 73.60 | FC | 73.60 | 73.60 | FC | TERUEL (SPAIN) | WIND FARMS | KPMG AUDITORES |
| EXPLOTACIONES EÓLICAS SANTO DOMINGO DE LUNA, S.A. | 51.00 | 51.00 | FC | 51.00 | 51.00 | FC | ZARAGOZA (SPAIN) | WIND FARMS | KPMG AUDITORES |
| EXPLOTACIONES EÓLICAS SASO PLANO, S.A. | 65.00 | 65.00 | FC | 65.00 | 65.00 | FC | ZARAGOZA (SPAIN) | WIND FARMS | KPMG AUDITORES |
| EXPLOTACIONES EÓLICAS SIERRA COSTERA, S.A. | 90.00 | 90.00 | FC | 90.00 | 90.00 | FC | ZARAGOZA (SPAIN) | WIND FARMS | KPMG AUDITORES |
| EXPLOTACIONES EÓLICAS SIERRA LA VIRGEN, S.A. | 90.00 | 90.00 | FC | 90.00 | 90.00 | FC | ZARAGOZA (SPAIN) | WIND FARMS | KPMG AUDITORES |
| FOTOVOLTAICA YUNCLILLOS, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | PHOTOVOLTAIC PLANT | UNAUDITED |
| FURATENA SOLAR 1, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | PHOTOVOLTAIC PLANT | KPMG AUDITORES |
| GAS Y ELECTRICIDAD GENERACIÓN, S.A. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | PALMA DE MALLORCA (SPAIN) | ELECTRICITY PRODUCTION | KPMG AUDITORES |
| GUADRARRANQUE SOLAR 4, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | SEVILLE (SPAIN) | ELECTRICITY PRODUCTION USING RENEWABLE ENERGIES | UNAUDITED |
| HIDROELÉCTRICA DE CATALUNYA, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | BARCELONA (SPAIN) | ELECTRICITY TRANSMISSION AND DISTRIBUTION | KPMG AUDITORES |
| HIDROFLAMICELL, S.L. | 75.00 | 75.00 | FC | 75.00 | 75.00 | FC | BARCELONA (SPAIN) | ELECTRICITY DISTRIBUTION AND SALE | KPMG AUDITORES |
| HIDROMONDEGO - HIDROELÉCTRICA DO MONDEGO, LDA | - | - | - | 100.00 | 100.00 | FC | LISBON (PORTUGAL) | ELECTRICITY PRODUCTION AND SUPPLY | - |
| HISPANO GENERACIÓN DE ENERGÍA SOLAR, S.L. | 51.00 | 51.00 | FC | 51.00 | 51.00 | FC | BADAJOS (SPAIN) | PHOTOVOLTAIC PLANT | UNAUDITED |
| INTERNATIONAL ENDESA B.V. (IN LIQUIDATION) | - | - | - | 100.00 | 100.00 | FC | AMSTERDAM (NETHERLANDS) | INTERNATIONAL FINANCIAL TRANSACTIONS COMPANY | - |
| NAVALVILLAR SOLAR, S.L.U. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | PHOTOVOLTAIC PLANT | KPMG AUDITORES |
| OLIVUM PV FARM 01, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | PHOTOVOLTAIC PLANT | UNAUDITED |
| PAMPINUS PV FARM 01, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | PHOTOVOLTAIC PLANT | UNAUDITED |
| PARAVENTO, S.L. | 90.00 | 90.00 | FC | 90.00 | 90.00 | FC | LUGO (SPAIN) | WIND FARMS | KPMG AUDITORES |
| PARQUE EÓLICO A CAPELADA, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | LA CORUÑA (SPAIN) | WIND FARMS | KPMG AUDITORES |
| PARQUE EÓLICO BELMONTE, S.A. | 50.16 | 50.16 | FC | 50.16 | 50.16 | FC | MADRID (SPAIN) | WIND FARMS | KPMG AUDITORES |
| PARQUE EÓLICO CARRETERA DE ARINAGA, S.A. | 80.00 | 80.00 | FC | 80.00 | 80.00 | FC | LAS PALMAS DE GRAN CANARIA (SPAIN) | WIND FARMS | KPMG AUDITORES |
| PARQUE EÓLICO DE BARBANZA, S.A. | 75.00 | 75.00 | FC | 75.00 | 75.00 | FC | LA CORUÑA (SPAIN) | WIND FARMS | KPMG AUDITORES |
| PARQUE EÓLICO DE SAN ANDRÉS, S.A. | 82.00 | 82.00 | FC | 82.00 | 82.00 | FC | LA CORUÑA (SPAIN) | WIND FARMS | KPMG AUDITORES |
| PARQUE EÓLICO DE SANTA LUCÍA, S.A. | 66.33 | 66.33 | FC | 66.33 | 66.33 | FC | LAS PALMAS DE GRAN CANARIA (SPAIN) | WIND FARMS | KPMG AUDITORES |
| PARQUE EÓLICO FARLÁN, S.L. (SOLE SHAREHOLDER COMPANY) | - | - | - | 100.00 | 100.00 | FC | MADRID (SPAIN) | WIND FARMS | - |
| PARQUE EÓLICO FINCA DE MOGÁN, S.A. | 90.00 | 90.00 | FC | 90.00 | 90.00 | FC | SANTA CRUZ DE TENERIFE (SPAIN) | WIND FARMS | KPMG AUDITORES |
| PARQUE EÓLICO FINCA DE LAS NAVAS, S.A. | 75.50 | 75.50 | FC | 75.50 | 75.50 | FC | MADRID (SPAIN) | WIND FARMS | KPMG AUDITORES |
| PARQUE EÓLICO MÚÑESA, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | WIND FARMS | KPMG AUDITORES |
| PARQUE EÓLICO PUNTA DE TENO, S.A. | 52.00 | 52.00 | FC | 52.00 | 52.00 | FC | SANTA CRUZ DE TENERIFE (SPAIN) | WIND FARMS | KPMG AUDITORES |
| PARQUE EÓLICO SIERRA DEL MADERO, S.A. | 58.00 | 58.00 | FC | 58.00 | 58.00 | FC | MADRID (SPAIN) | WIND FARMS | KPMG AUDITORES |
| PARQUE EÓLICO TICO, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | - | - | - | ZARAGOZA (SPAIN) | WIND FARMS | UNAUDITED |
| PLANTA EÓLICA EUROPEA, S.A. | 56.12 | 56.12 | FC | 56.12 | 56.12 | FC | SEVILLE (SPAIN) | WIND FARMS | KPMG AUDITORES |
| PROMOCIONES ENERGÉTICAS DEL BIERZO, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | WIND FARMS | KPMG AUDITORES |
| RENOVABLES LA PEDRERA, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | ZARAGOZA (SPAIN) | WIND FARMS | UNAUDITED |
| RENOVABLES MEDIAVILLA, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | ZARAGOZA (SPAIN) | PHOTOVOLTAIC PLANT | UNAUDITED |
| SAN FRANCISCO DE BORJA, S.A. | 66.67 | 66.67 | FC | 66.67 | 66.67 | FC | ZARAGOZA (SPAIN) | WIND FARMS | KPMG AUDITORES |
| SEGUIDORES SOLARES PLANTA 2, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | PHOTOVOLTAIC PLANT | KPMG AUDITORES |
| SISTEMAS ENERGÉTICOS ALCOHÚATE, S.A. (SOLE SHAREHOLDER COMPANY) | - | - | - | 100.00 | 100.00 | FC | ZARAGOZA (SPAIN) | WIND FARMS | - |
| SISTEMAS ENERGÉTICOS CAMPOLIVA, S.A. (SOLE SHAREHOLDER COMPANY) | - | - | - | 100.00 | 100.00 | FC | ZARAGOZA (SPAIN) | WIND FARMS | - |
| SISTEMAS ENERGÉTICOS MANÓN ORTIGUEIRA, S.A. | 96.00 | 96.00 | FC | 96.00 | 96.00 | FC | LA CORUÑA (SPAIN) | WIND FARMS | KPMG AUDITORES |
| SISTEMAS ENERGÉTICOS SIERRA DEL CARAZO, S.A. (SOLE SHAREHOLDER COMPANY) | - | - | - | 100.00 | 100.00 | FC | ZARAGOZA (SPAIN) | WIND FARMS | - |
| SOCIEDAD EÓLICA DE ANDALUCÍA, S.A. | 64.73 | 64.73 | FC | 64.73 | 64.73 | FC | SEVILLE (SPAIN) | WIND FARMS | KPMG AUDITORES |
| SOCIEDAD EÓLICA LOS LANCES, S.A. | 60.00 | 60.00 | FC | 60.00 | 60.00 | FC | SEVILLE (SPAIN) | WIND FARMS | KPMG AUDITORES |

| Company (in alphabetical order) | % ownership at 31/12/2020 | | | % ownership at 31/12/2019 | | | Registered office | Activity | Auditor |
|---|---------------------------|----------|----------------------|---------------------------|----------|----------------------|------------------------------------|--------------------------------|----------------|
| | Control | Economic | Consolidation method | Control | Economic | Consolidation method | | | |
| SUGGESTION POWER, UNIPessoal, LDA | 100.00 | 100.00 | FC | - | - | - | LISBON (PORTUGAL) | PHOTOVOLTAIC PLANT | UNAUDITED |
| SUMINISTRO DE LUZ Y FUERZA, S.L | 60.00 | 60.00 | FC | 60.00 | 60.00 | FC | BARCELONA (SPAIN) | ENERGY DISTRIBUTION AND SUPPLY | KPMG AUDITORES |
| TAUSTE ENERGIA DISTRIBUIDA, S.L | 51.00 | 51.00 | FC | 51.00 | 51.00 | FC | ZARAGOZA (SPAIN) | WIND FARMS | KPMG AUDITORES |
| TICO SOLAR 1, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | - | - | - | ZARAGOZA (SPAIN) | PHOTOVOLTAIC PLANT | UNAUDITED |
| TICO SOLAR 2, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | - | - | - | ZARAGOZA (SPAIN) | PHOTOVOLTAIC PLANT | UNAUDITED |
| TORREPALMA ENERGY 1, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | WIND FARMS | UNAUDITED |
| TRANSPORTES Y DISTRIBUCIONES ELECTRICAS, S.A. (IN LIQUIDATION) | 73.33 | 73.33 | FC | 73.33 | 73.33 | FC | GERONA (SPAIN) | ELECTRICITY TRANSMISSION | UNAUDITED |
| UNION ELECTRICA DE CANARIAS GENERACION, S.A. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | LAS PALMAS DE GRAN CANARIA (SPAIN) | ELECTRICITY PRODUCTION | KPMG AUDITORES |
| VALDECABALLERO SOLAR, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | MADRID (SPAIN) | PHOTOVOLTAIC PLANT | KPMG AUDITORES |
| VIRULEIROS, S.L. | 67.00 | 67.00 | FC | 67.00 | 67.00 | FC | LA CORUNA (SPAIN) | WIND FARMS | UNAUDITED |
| XALOC SOLAR, S.L. (SOLE SHAREHOLDER COMPANY) | 100.00 | 100.00 | FC | 100.00 | 100.00 | FC | VALENCIA (SPAIN) | PHOTOVOLTAIC PLANT | UNAUDITED |

FC: Full consolidation; PC: Proportional consolidation; EM: Equity method.

(1) See Note 2.3.1.

Appendix II: Joint Ventures and Associates

| Company (in alphabetical order) | % ownership at 31/12/2020 | | | % ownership at 31/12/2019 | | | Registered office | Activity | Auditor |
|---|---------------------------|----------|----------------------|---------------------------|----------|----------------------|------------------------------------|--|-------------------|
| | Control | Economic | Consolidation method | Control | Economic | Consolidation method | | | |
| BOIRO ENERGIA, S.A. | 40.00 | 40.00 | EM | 40.00 | 40.00 | EM | LA CORUNA (SPAIN) | RENEWABLE ENERGY | DELOITTE |
| CARBOPEGO - ABASTECIMIENTOS DE COMBUSTIBLES, S.A. | 50.00 | 50.00 | EM | 50.00 | 50.00 | EM | LISBON (PORTUGAL) | FUEL SUPPLY | KPMG AUDITORES |
| CENTRAL HIDRAULICA GUEJAR-SIERRA, S.L. | 33.33 | 33.33 | EM | 33.33 | 33.33 | EM | SEVILLE (SPAIN) | HYDROELECTRIC POWER PLANT | GATT AUDITORES |
| CENTRAL TÉRMICA DE ANLLARES, A.I.E. | 33.33 | 33.33 | EM | 33.33 | 33.33 | EM | MADRID (SPAIN) | MANAGEMENT OF THE ANLLARES THERMAL POWER PLANT | UNAUDITED |
| CENTRALES NUCLEARES ALMARAZ-TRILLO, A.I.E. | 24.18 | 24.18 | EM | 24.26 | 23.92 | EM | MADRID (SPAIN) | MANAGEMENT OF THE ALMARAZ AND TRILLO NUCLEAR PLANTS | ERNST & YOUNG |
| COGENERACIÓN EL SALTO, S.L. (IN LIQUIDATION) | 20.00 | 20.00 | EM | 20.00 | 20.00 | EM | ZARAGOZA (SPAIN) | POWER GENERATION | UNAUDITED |
| COMERCIALIZADORA ELÉCTRICA DE CÁDIZ, S.A. | 33.50 | 33.50 | EM | 33.50 | 33.50 | EM | CADIZ (SPAIN) | ELECTRICITY SUPPLY | DELOITTE |
| COMPANIA EOLICA TIERRAS ALTAS, S.A. | 37.51 | 37.51 | EM | 37.51 | 37.51 | EM | SORIA (SPAIN) | WIND FARMS | ERNST & YOUNG |
| CORPORACION EOLICA DE ZARAGOZA, S.L. | 25.00 | 25.00 | EM | 25.00 | 25.00 | EM | ZARAGOZA (SPAIN) | WIND FARMS | ERNST & YOUNG |
| DEPURACION DESTILACION RECICLAJE, S.L. | 40.00 | 40.00 | EM | 40.00 | 40.00 | EM | LA CORUNA (SPAIN) | RECYCLING PLANT | DELOITTE |
| ELOGGAS, S.A. (IN LIQUIDATION) | 40.99 | 40.99 | EM | 40.99 | 40.99 | EM | CIUDAD REAL (SPAIN) | ELECTRICITY PRODUCTION | DELOITTE |
| ELECCGAS, S.A. | 50.00 | 50.00 | EM | 50.00 | 50.00 | EM | SANTAREM (PORTUGAL) | COMBINED-CYCLE ELECTRICITY PRODUCTION | KPMG AUDITORES |
| ELÉCTRICA DE LUAR, S.L. | 50.00 | 50.00 | EM | 50.00 | 50.00 | EM | CADIZ (SPAIN) | ELECTRICITY TRANSMISSION AND DISTRIBUTION | AVANTER AUDITORES |
| ELECTRICIDAD DE PUERTO REAL, S.A. | 50.00 | 50.00 | EM | 50.00 | 50.00 | EM | CADIZ (SPAIN) | ELECTRICITY SUPPLY AND DISTRIBUTION | DELOITTE |
| ENDESA SOLUCIONES, S.L. (1) | 20.00 | 20.00 | EM | 100.00 | 100.00 | FC | MADRID (SPAIN) | SUPPLY OF ENERGY PRODUCTS AND SERVICES | DELOITTE |
| ENERGIAS ESPECIALES DEL BIERZO, S.A. | 50.00 | 50.00 | EM | 50.00 | 50.00 | EM | LEÓN (SPAIN) | WIND FARMS | KPMG AUDITORES |
| ENERGIE ELECTRIQUE DE TAHADDART, S.A. | 32.00 | 32.00 | EM | 32.00 | 32.00 | EM | TANGIERS (MOROCCO) | COMBINED CYCLE PLANT | DELOITTE |
| EÓLICAS DE FUERTEVENTURA, A.I.E. | 40.00 | 40.00 | EM | 40.00 | 40.00 | EM | LAS PALMAS DE GRAN CANARIA (SPAIN) | WIND FARMS | ERNST & YOUNG |
| EÓLICAS DE LA PATAGONIA, S.A. | 50.00 | 50.00 | EM | 50.00 | 50.00 | EM | CAPITAL FEDERAL (ARGENTINA) | WIND FARMS | UNAUDITED |
| EÓLICAS DE LANZAROTE, S.L. | 40.00 | 40.00 | EM | 40.00 | 40.00 | EM | LAS PALMAS DE GRAN CANARIA (SPAIN) | WIND FARMS | LUJAN AUDITORES |
| EÓLICAS DE TENERIFE, A.I.E. | 50.00 | 50.00 | EM | 50.00 | 50.00 | EM | SANTA CRUZ DE TENERIFE (SPAIN) | WIND FARMS | ANCERO AUDITORES |
| EPRESA ENERGÍA, S.A. | 50.00 | 50.00 | EM | 50.00 | 50.00 | EM | CADIZ (SPAIN) | ELECTRICITY SUPPLY | DELOITTE |
| FRONT MARÍTIM DEL BESÓS, S.L. (2) | 61.37 | 61.37 | EM | 61.37 | 61.37 | EM | BARCELONA (SPAIN) | REAL ESTATE ASSET MANAGEMENT AND DEVELOPMENT | UNAUDITED |
| GORONA DEL VIENTO EL HIERRO, S.A. | 23.21 | 23.21 | EM | 23.21 | 23.21 | EM | SANTA CRUZ DE TENERIFE (SPAIN) | DEVELOPMENT AND MAINTENANCE OF THE EL HIERRO POWER PLANT | ERNST & YOUNG |
| HIDROELECTRICA DE OUROL, S.L. | 30.00 | 30.00 | EM | 30.00 | 30.00 | EM | LA CORUNA (SPAIN) | HYDROELECTRIC POWER PLANT | DELOITTE |
| KROMSCHROEDER, S.A. | 29.26 | 29.26 | EM | 29.26 | 29.26 | EM | BARCELONA (SPAIN) | METER-READING EQUIPMENT | BDO AUDITORES SLP |
| MINICENTRALES DEL CANAL IMPERIAL-GALLUR, S.L. | 36.50 | 36.50 | EM | 36.50 | 36.50 | EM | ZARAGOZA (SPAIN) | HYDROELECTRIC POWER PLANT | UNAUDITED |
| NUCLENOR, S.A. | 50.00 | 50.00 | EM | 50.00 | 50.00 | EM | BURGOS (SPAIN) | ELECTRICITY GENERATION USING NUCLEAR POWER | ERNST & YOUNG |
| OXAGESA, A.I.E. (IN LIQUIDATION) | 33.33 | 33.33 | EM | 33.33 | 33.33 | EM | TERUEL (SPAIN) | POWER GENERATION | UNAUDITED |
| PARC EOLIC LA TOSSA LA MOLA DEN PASCUAL, S.L. | 30.00 | 30.00 | EM | 30.00 | 30.00 | EM | MADRID (SPAIN) | WIND FARMS | UNAUDITED |
| PARC EOLIC LOS ALIGARS, S.L. | 30.00 | 30.00 | EM | 30.00 | 30.00 | EM | MADRID (SPAIN) | WIND FARMS | UNAUDITED |
| PEGOP - ENERGÍA ELÉCTRICA, S.A. | 50.00 | 50.00 | EM | 50.00 | 50.00 | EM | SANTAREM (PORTUGAL) | OPERATION OF THE PEGO POWER PLANT | KPMG AUDITORES |
| PRODUCTORA DE ENERGÍAS, S.A. | 30.00 | 30.00 | EM | 30.00 | 30.00 | EM | BARCELONA (SPAIN) | HYDROELECTRIC POWER PLANT | UNAUDITED |
| PROYECTO ALMERIA MEDITERRANEO, S.A. (IN LIQUIDATION) | 45.00 | 45.00 | EM | 45.00 | 45.00 | EM | MADRID (SPAIN) | SEAWATER DESALINATION PLANT | UNAUDITED |
| PROYECTOS UNIVERSITARIOS DE ENERGÍAS RENOVABLES, S.L. | 33.33 | 33.33 | EM | 33.33 | 33.33 | EM | ALICANTE (SPAIN) | RENEWABLE ENERGY | UNAUDITED |
| SALTO DE SAN RAFAEL, S.L. | 50.00 | 50.00 | EM | 50.00 | 50.00 | EM | SEVILLE (SPAIN) | HYDROELECTRIC POWER PLANT | UNAUDITED |
| SANTO ROSTRO COGENERACIÓN, S.A. (IN LIQUIDATION) | 45.00 | 45.00 | EM | 45.00 | 45.00 | EM | SEVILLE (SPAIN) | POWER GENERATION | UNAUDITED |
| SISTEMA ELÉCTRICO DE CONEXIÓN VALCAIRE, S.L. | 28.12 | 28.12 | EM | 28.12 | 28.12 | EM | MADRID (SPAIN) | HYDROELECTRIC POWER PLANT | KPMG AUDITORES |
| SOCIEDAD EOLICA EL PUNTAL, S.L. | 50.00 | 50.00 | EM | 50.00 | 50.00 | EM | SEVILLE (SPAIN) | WIND FARMS | KPMG AUDITORES |
| SOTAVENTO GALICIA, S.A. | 36.00 | 36.00 | EM | 36.00 | 36.00 | EM | LA CORUNA (SPAIN) | WIND FARMS | AUDIESA |
| SUMINISTRADORA ELÉCTRICA DE CÁDIZ, S.A. | 33.50 | 33.50 | EM | 33.50 | 33.50 | EM | CADIZ (SPAIN) | ELECTRICITY SUPPLY AND DISTRIBUTION | DELOITTE |
| TECNATOM, S.A. | 45.00 | 45.00 | EM | 45.00 | 45.00 | EM | MADRID (SPAIN) | SERVICES TO ELECTRICITY PRODUCTION FACILITIES | ERNST & YOUNG |
| TEJO ENERGIA - PRODUÇÃO E DISTRIBUIÇÃO DE ENERGIA ELECTRICA, S.A. | 43.75 | 43.75 | EM | 43.75 | 43.75 | EM | LISBON (PORTUGAL) | ELECTRICITY PRODUCTION, TRANSMISSION AND DISTRIBUTION | KPMG AUDITORES |
| TERMOTEC ENERGÍA, A.I.E. (IN LIQUIDATION) | 45.00 | 45.00 | EM | 45.00 | 45.00 | EM | VALENCIA (SPAIN) | POWER GENERATION | UNAUDITED |
| TOLEDO PV, A.I.E. | 33.33 | 33.33 | EM | 33.33 | 33.33 | EM | MADRID (SPAIN) | PHOTOVOLTAIC PLANT | PWCS |
| TREVAGO RENOVABLES, S.L. | 35.50 | 35.50 | EM | 35.50 | 35.50 | EM | MADRID (SPAIN) | PHOTOVOLTAIC PLANT | UNAUDITED |
| YEDESA COGENERACIÓN, S.A. (IN LIQUIDATION) | 40.00 | 40.00 | EM | 40.00 | 40.00 | EM | ALMERIA (SPAIN) | POWER GENERATION | UNAUDITED |

EM: Equity method.

(1) See Note 2.3.1.

(2) See Note 2.5.2.

Formulation Signatures
ENDESA, S.A. and Subsidiaries
Consolidated Financial Statements
for the year ended 31 December 2020

(Translation from the original issued in Spanish. In the event of discrepancy, the Spanish-language version prevails)

The Annual Consolidated Financial Statements (Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Net Equity, Cash-Flow Statement, and Annual Report) of ENDESA, Sociedad Anónima and its SUBSIDIARY COMPANIES for fiscal year ending December 31, 2020 were drafted in electronic format by the Board of Directors of the company ENDESA, Sociedad Anónima at its meeting on February 23, 2021, following the format and tagging requirements established in the Delegated Regulation EU 2019/815 of the European Commission, and are hereinbelow signed by all of its Directors in compliance with Article 253 of the Spanish Capital Corporations Law (Ley de Sociedades de Capital).

| | |
|--|---|
| D. Juan Sánchez-Calero Guilarte Chairman | D. Francesco Starace Vice Chairman |
| D. José Damián Bogas Gálvez Chief Executive Officer | Dña. Eugenia Bieto Caubet Director |
| D. Antonio Cammisecra Director | D. Alejandro Echevarría Busquet Director |
| D. Ignacio Garralda Ruiz de Velasco Director | Dña. Pilar González de Frutos Director |
| Dña. Maria Patrizia Grieco Director | Dña. Alicia Koplowitz y Romero de Juseu Director |
| D. Francisco de Lacerda Director | D. Alberto de Paoli Director |
| D. Miquel Roca Junyent Director | |

Madrid, 23 February 2021

ENDESA, S.A.
and Subsidiaries

Consolidated Management Report
for the year ended 31 December 2020

(Translation from the original issued in Spanish. In the event of discrepancy, the Spanish-language version prevails)

ENDESA, S.A. AND SUBSIDIARIES
CONSOLIDATED MANAGEMENT REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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ENDESA, S.A. AND SUBSIDIARIES
CONSOLIDATED MANAGEMENT REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

ENDESA has prepared this Consolidated Management Report for the year ended 31 December 2020 in accordance with the “Guide for the Preparation of Management Reports of Listed Companies” issued by the Group of Experts appointed by the CNMV (National Securities Market Commission).

1. Position of the entity

1.1. Main areas of business

ENDESA, S.A. was established on 18 November 1944 and has its registered office at Calle Ribera del Loira 60, Madrid.

Its corporate object is the electricity business in its various industrial and commercial activities; the exploitation of primary energy resources of all types; the provision of industrial services or services related to its main business, particularly those relating to gas and those that are preparatory or complementary to the activities included in the corporate object, and the management of the business Group consisting of investments in other companies. The Company carries out its corporate objects in Spain and abroad directly or through its investments in other companies.

The main sector of the National Classification of Economic Activities (“CNAE”) into which the corporate object of ENDESA fits is that corresponding to section D, division 35.

ENDESA, S.A. and its subsidiaries (ENDESA or the Company) carry out their activities in the electricity and gas business mainly in the market of Spain and Portugal. To a lesser extent, they also sell electricity and gas in other European markets as well as other products and services related to their main business.

The organisation is divided into the generation, supply and distribution businesses, each of which includes electricity and in some cases gas activities and other products and services.

In view of the areas of business carried on by ENDESA subsidiaries, transactions are not highly cyclical or seasonal.

1.2. Organisational structure

ENDESA, S.A. and its subsidiaries are part of the ENEL Group, which is headed by ENEL Iberia, S.L.U. in Spain.

At 31 December 2020 the ENEL Group held 70.1% of the share capital of ENDESA, S.A., through ENEL Iberia, S.L.U. (see Notes 1 and 14.1.1 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2020).

At the date on which this Consolidated Management Report was drawn up, the composition of ENDESA S.A.'s Executive Management Committee, the functions of which include the implementation of the strategies adopted by the Company, was as follows:

| Position | Member |
|---|-------------------------------|
| Chief Executive Officer | José Damián Bogas Gálvez |
| General Manager - Communication | Ignacio Jiménez Soler |
| General Manager - Energy Management | Juan María Moreno Mellado |
| General Manager - People and Organisation | Paolo Bondi |
| General Manager - Generation | Rafael González Sánchez |
| General Manager - Infrastructure and Networks | Gianluca Caccialupi |
| General Manager - Supply | Javier Uriarte Monereo |
| General Manager - Institutional Relations and Regulation | José Casas Marín |
| General Manager - Media | Pablo Azcoitia Lorente |
| General Manager - ENDESA X | Josep Trabado Farré |
| General Manager - Nuclear Power | Gonzalo Carbó de Haya |
| General Manager - Audit | Patricia Fernández Salís |
| General Manager - ICT Digital Solutions | Manuel Fernando Marín Guzmán |
| General Manager - Sustainability | María Malaxechevarría Grande |
| General Manager - Purchasing | Ignacio Mateo Montoya |
| General Manager - Administration, Finance and Control | Luca Passa |
| General Secretary to the Board of Directors and General Manager - Legal Counsel and Corporate Affairs | Francisco de Borja Acha Besga |

The Annual Corporate Governance Report, which describes the organisation of the Board of Directors of ENDESA, S.A. and of the bodies to which it delegates its decisions, forms an integral part of this Consolidated Management Report (see Section 15. Annual Corporate Governance Report required by Article 538 of Royal Decree Law 1/2010 of 2 July 2010 approving the Consolidated Text of the Spanish Corporate Enterprises Act, in this Consolidated Management Report).

The general principles relating to ENDESA's corporate governance strategy establish that the internal corporate rules are set so as to ensure transparency and the reconciliation of the interests of all shareholder groups, as well as equal treatment of all shareholders of the same kind and in the same situation.

1.3. Business Model.

ENDESA is making progress in its commitment to lead the energy transition, in line with the United Nations Sustainable Development Goals (SDGs), and more specifically, in developing a business model aligned with the objectives of the Paris Agreement to achieve the decarbonization goal and thus contain the average increase in global temperature to below 2 °C compared to pre-industrial levels (see Notes 2.2.2 and 39 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2020).

This business model is aligned with the strategic vision of becoming the leading actor in the energy transformation that Spain is facing, and taking advantage of such new opportunities as may arise deriving from this great challenge.

1.3.1. Vision, Mission and Values.

Vision.

ENDESA strives to be at the forefront of developments in the energy sector in order to bring safe, affordable and sustainable energy to millions of people. ENDESA is acutely aware of the profound changes that the industry is going through and is positioning itself in a new era of energy, which is more open, participatory and digital.

This strategic positioning is summarised in the concept “**Open Power**”, which constitutes ENDESA's Mission, Vision and Values.

Mission.

ENDESA's mission is defined in the following pillars:

- **Opening up access to safe and sustainable energy** for a greater number of people.
- **Opening up the world of energy to new technologies** to generate and distribute more sustainable energy, with particular attention to renewable sources and smart distribution networks.

- **Opening up energy management to consumers** to help them use energy more efficiently, with particular attention to smart meters and digitisation.
- **Opening up possibilities of new uses of energy** to address global challenges, with particular attention to connectivity and electric mobility.
- **Opening ourselves up to a greater number of alliances** to form a network of collaborators in research, technology, product development and marketing to build new solutions together.

Values.

ENDESA's values are the pillars of the company's behaviour and reflect the focus on people:

- **Responsibility:** Every employee is responsible for the success of ENDESA, at all levels, always acting within the framework of the social responsibility strategy and compliance with tax regulations.
- **Innovation:** ENDESA works to open up energy to new uses, technologies and people, taking into account both errors and successes.
- **Trust:** ENDESA acts competently, honestly and transparently, to gain the trust of its employees, customers and external collaborators, valuing individual differences.
- **Proactiveness:** ENDESA continuously analyses global scenarios and challenges in order to anticipate changes, redefining priorities if the context so requires.

1.3.2. Business Lines and Main Markets.

In order to effectively face all risks and take advantage of all the opportunities of an Energy Sector in constant change, ENDESA's business model is structured in different Business Lines to act with agility in the markets where it operates and take into account the needs of its clients in the territories and businesses in which it is present.

These Business Lines correspond to the electricity and gas generation, distribution and supply activities carried out by ENDESA, mainly in Spain and Portugal, and to a lesser extent from its platform in Spain to other European markets, in particular Germany, France and the Netherlands.

With the exception of the mainland coal-fired thermal power plants, ENDESA manages its generation and supply businesses jointly, thus optimising this integrated position compared with managing the two activities separately.

the current context, the activities relating to the supply of electricity which ENDESA companies carry out have been confirmed as essential activities and are carried out under specific frameworks.

Up to the date of approval of this Consolidated Management Report, ENDESA has continued to provide its services without any particular problems other than those existing prior to the emergence of COVID-19 and, although it has had to adapt some processes to the circumstances deriving from the health crisis, its ability to provide services has not been significantly compromised (see Notes 2.2.1 and 38 of the Notes to the Consolidated Financial Statements for the year ended December 31, 2020 and Section 7.1. COVID-19 Health Crisis of this Consolidated Management Report).

The markets in which ENDESA carries out its activities are described as follows:

Spanish market

- **Electricity generation** ENDESA carries out its electricity generation activities in the mainland system and in the Non-mainland Territories ("TNP"), the latter comprising the Balearic and Canary Islands and the autonomous cities of Ceuta and Melilla.

- On the mainland, conventional and renewable generation is a deregulated business covered by a specific remuneration regime.
- On the other hand, conventional generation in the Non-mainland Territories (“TNP”) is subject to specific regulations addressing the particularities deriving from their geographical location, and remuneration is regulated. There are incentives for investment in generation from renewable sources in the Non-mainland Territories (“TNP”) to reduce costs.
- **Supply of electricity, gas and other products and services:** This activity consists of supplying energy on the market and the sale of other products and services to customers. The supply of energy is a deregulated activity.
- **Electricity distribution:** The purpose of the electricity distribution activity is to distribute electricity to the consumption points. Electricity distribution is a regulated activity.

Section 2.6. Statistical Appendix to this Consolidated Management Report provides a breakdown of ENDESA’s key figures at 31 December 2020.

Portuguese market

- **Electricity generation** Electricity generation in Portugal is carried out in a competitive environment.
- **Supply of electricity and gas and other products and services:** This activity is deregulated in Portugal.

1.4. Corporate Map

ENDESA, S.A.’s activity is structured by Business Lines, giving the Company flexibility and the ability to respond to the needs of its customers in the territories and businesses in which it operates.

For the organisation of the various Business Lines, ENDESA, S.A. works primarily through the following Companies:

Energy generation: ENDESA Generación, S.A.U.

This company was set up on 22 September 1999 with a view to concentrating ENDESA’s generation and mining assets in it.

ENDESA Generación, S.A.U. brings together, among others, the holdings in Gas y Electricidad Generación, S.A.U. (100%), Unión Eléctrica de Canarias Generación, S.A.U. (100%), which manage the generation assets located in the Non-mainland Territories (“TNP”) and in ENEL Green Power España, S.L.U. (EGPE) (100%), which manages assets generated from renewable sources.

At 31 December 2020, ENDESA’s total net installed capacity in Spain amounted to 21,652 MW, of which 17,326 MW in the mainland electricity system and 4,326 MW in the Non-mainland Territories (“TNP”) of the Balearic and Canary Islands, Ceuta and Melilla. At that date, net installed capacity in renewables was 7,781 MW, of which 7,719 MW correspond to the mainland electricity system, representing 45% of its net installed capacity (see Section 2.6. Statistical Appendix to this Consolidated Management Report).

ENDESA’s power plants reached a total net production of 56,269 GWh in 2020 (see Section 2.6. Statistical Appendix to this Consolidated Management Report).

Energy Distribution: ENDESA Red, S.A.U.

This company was set up on 22 September 1999, marking the culmination of the process of integrating ENDESA S.A.’s regional distribution companies in Spain.

This company holds, among others, Edistribución Redes Digitales, S.L.U. (100%), which engages in regulated electricity distribution, and ENDESA Ingeniería, S.L.U. (100%).

At 31 December 2020, ENDESA distributed electricity in 24 Spanish provinces (La Coruña, Almería, Badajoz, Barcelona, Cádiz, Córdoba, Gerona, Granada, Huelva, Huesca, Balearic Islands, Jaén, Las Palmas, León, Lérída, Málaga, Ourense, Santa Cruz de Tenerife, Seville, Soria, Tarragona, Teruel, Zamora and Zaragoza) of eight Autonomous Regions (Andalusia, Aragón, Canary Islands, Castilla y León, Catalonia, Extremadura, Galicia and Balearic Islands) and in the Autonomous City of Ceuta, with a total area of 195,488 km² and a population of close to 21 million.

The number of clients with an access contract to ENDESA's distribution networks exceeded 12 million at that date and the total energy distributed by ENDESA's networks, reached 124,658 GWh in 2020 (see Section 2.6. Statistical Appendix to this Consolidated Management Report).

Supply of energy and other products and services: ENDESA Energía, S.A.U. and ENDESA X Servicios S.L.U.

ENDESA Energía, S.A.U. was established on 3 February 1998 to carry out supply activities, responding to the demands deriving from the deregulation process of the Spanish electricity sector. Its main business is the supply of energy to customers wishing to exercise their right to choose their supplier and receive the service on the deregulated market, and other products and services related to the development of efficient energy infrastructures and maintenance services.

In addition, ENDESA Energía, S.A.U. holds 100% of Energía XXI Comercializadora de Referencia, S.L.U., a trading company in the regulated market, ENDESA Operaciones y Servicios Comerciales, S.L.U., whose purpose is to provide commercial services linked to the supply of energy and ENDESA Energía Renovable, S.L.U., which is dedicated to the supply of electricity and natural gas specifically from renewable sources.

ENDESA Energía, S.A.U. also supplies energy to the deregulated markets of Germany, France, the Netherlands and Portugal.

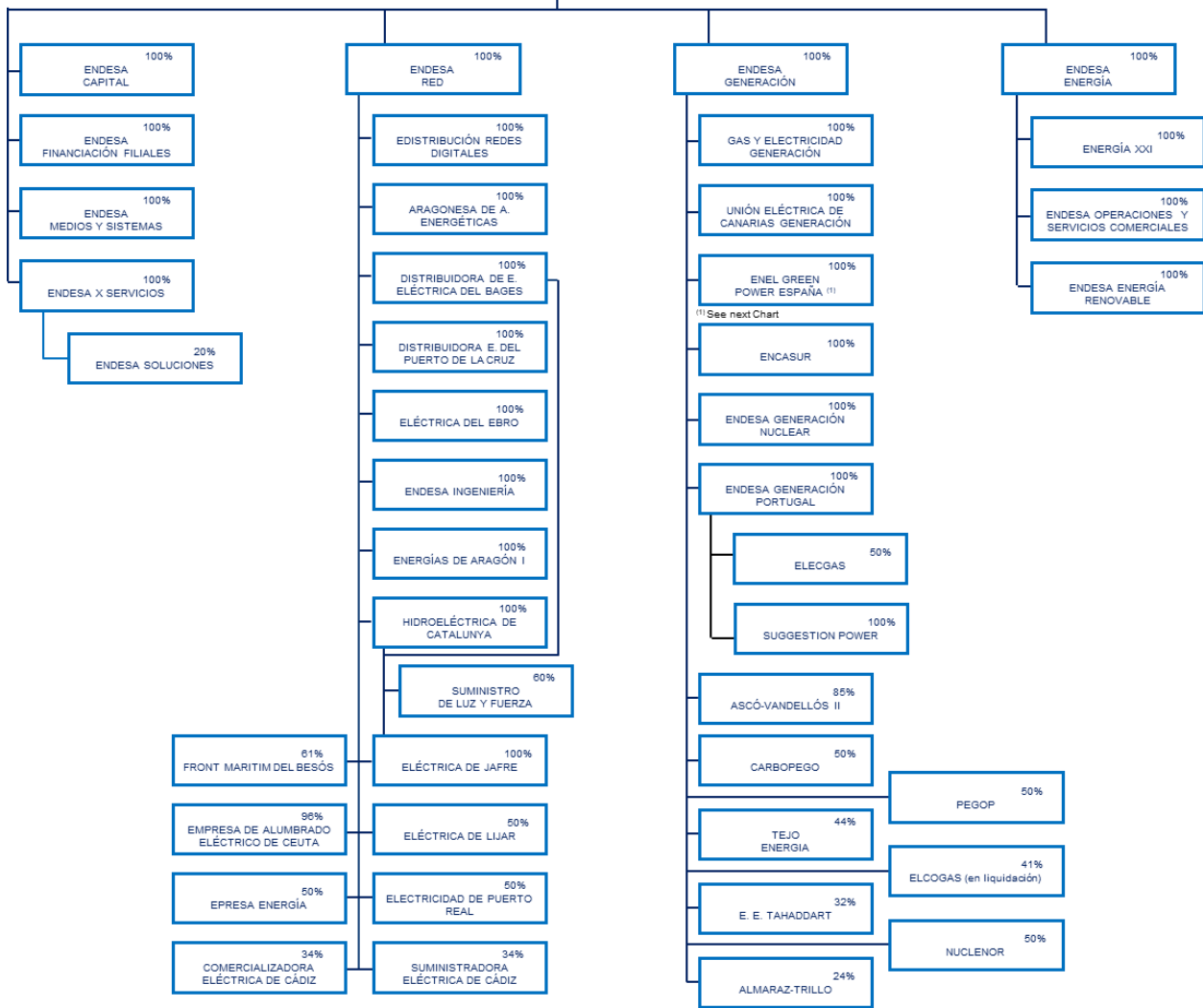
On 1 September 2020, ENDESA X Servicios, S.L.U. was incorporated, through the partial spin-off of ENDESA Energía, S.A.U. and ENDESA Ingeniería, S.L.U., to carry out development and marketing activities for new services adapted to the evolution of the energy market. Its activity is focused on four lines of action: e-Home, e-Industries, e-City and e-Mobility (see Note 2.3.1 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2020 and Section 2.5. Scope of Consolidation of this Consolidated Management Report).

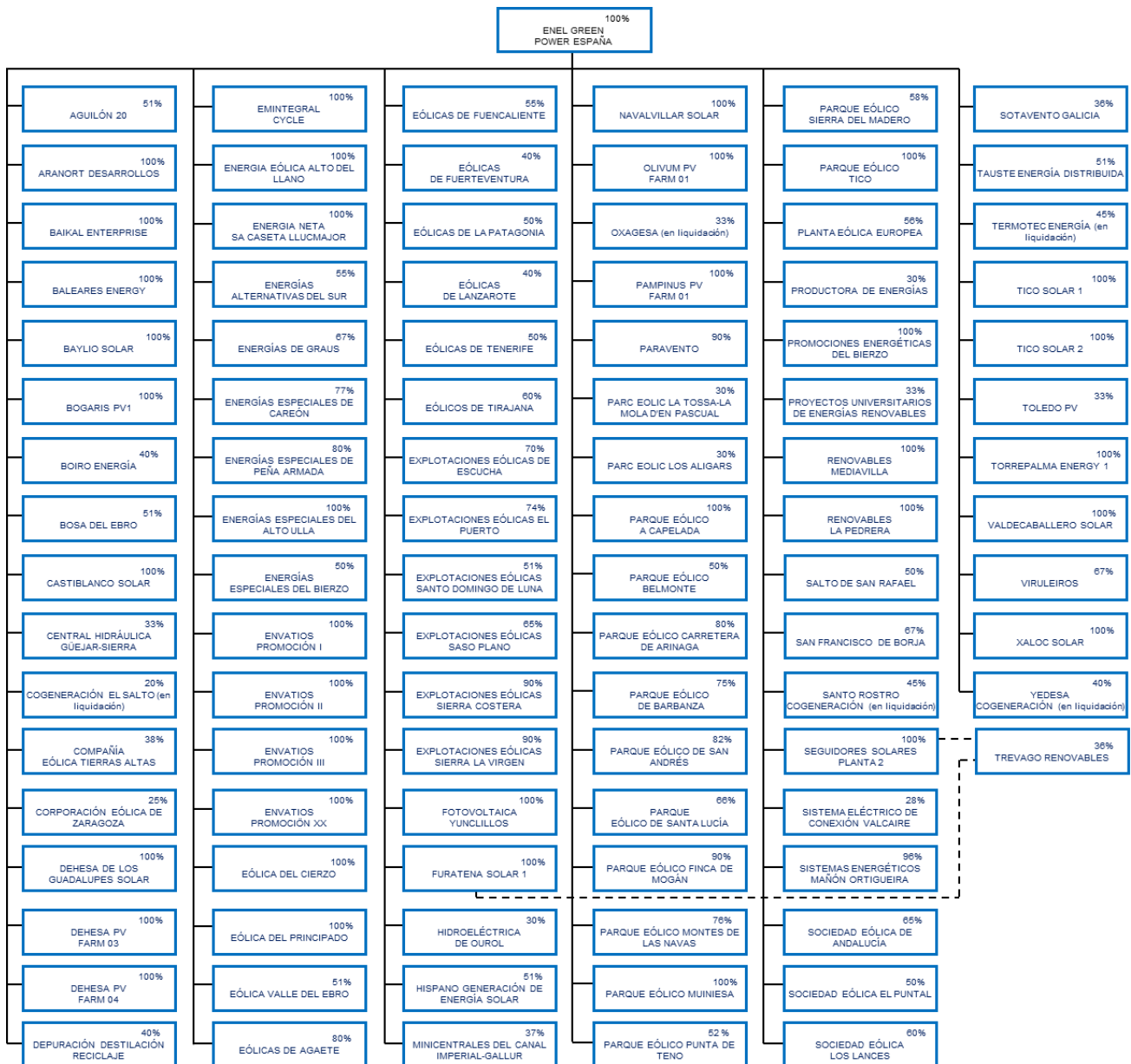
In 2020, net electricity sales amounted to 80,772 GWh and at 31 December 2020, the customer portfolio in the electricity market consisted of 10.4 million supply points. The total volume of gas sold in 2020 amounted to 70,045 GWh and at 31 December 2020 the customer portfolio in the conventional natural gas market consisted of 1.7 million supply points (see Section 2.6. Statistical Appendix to this Consolidated Management Report).

Appendix I to the Consolidated Financial Statements for the year ended 31 December 2020 lists ENDESA's subsidiaries and joint operations.

Appendix II to the Consolidated Financial Statements for the year ended 31 December 2020 lists ENDESA's associates and joint ventures.

There follows a corporate map of ENDESA showing in diagram form its main investees at 31 December 2020:





Additions, removals and changes in ENDESA's corporate map during 2020 are described in Notes 2.3, 2.4 and 2.5 to the Consolidated Financial Statements for the year ended 31 December 2020.

2. Business trends and results in 2020

2.1. Consolidated Results.

ENDESA reported net income of Euros 2,132 million (+36.5%) in 2020.

ENDESA reported net ordinary income of Euros 2,132 million in 2020, representing an increase of 36.5% on the previous year.

Net income attributable to the Parent Company amounted to Euros 1,394 million in 2020, as against the Euros 171 million obtained in the previous year.

To analyse the performance during the period, the following factors must be taken into account:

- Signing of the “V ENDESA Framework Collective Agreement”:

The “V ENDESA Framework Collective Agreement”, effective from 23 January 2020, establishes a modification of certain social benefits, basically the employee electricity tariff, which now also includes retired employees. As a result of the valuations of the previous actuarial liability and the new actuarial liability at the effective date of the “V ENDESA Framework Collective Agreement”, a positive impact of Euros 386 million was recognised in the Consolidated Income Statement for 2020.

- Impairment of the assets of the mainland coal-fired thermal power plants.

Recognition in 2019 of an impairment equal to the entire carrying amount of the assets of the mainland coal-fired thermal power plants, namely Euros 1,105 million, in accordance with the decision adopted on 27 September 2019 to decommission them. In 2020, a reversal of Euros 6 million of this impairment was recognised.

- Impairment of the assets of the Cash Generating Units (CGUs) of the Non-mainland Territories (“TNP”).

In 2020 and 2019, an impairment of the Cash Generating Units (CGUs) for each of the Non-mainland Territories (“TNP”) of the Balearic Islands, Canary Islands, Ceuta and Melilla for a total amount of Euros 253 million and Euros 304 million, respectively, in order to adjust the net book value of these assets to their recoverable value.

- Provisions for workforce restructuring.

Recognition of a provision in the amount of Euros 569 million in the Consolidated Income Statement for 2020 in the context of the “Agreement on Voluntary Suspension or Termination of Employment Contracts” and the communications made by ENDESA to the union representation regarding the non-exercise of the right to terminate the individual employment suspension agreements relating to certain contracts. This amount includes Euros 160 million in respect of ENDESA's commitment to decarbonisation, the decision taken to decommission the mainland coal-fired power plants and the reorganisation of activities deriving from the energy transition, and Euros 290 million relating to ENDESA's commitment in its Strategic Plan 2021-2023 to improving efficiency by various means, particularly the digitisation of processes.

- COVID-19 Health Crisis.

In the current context of the COVID-19 health crisis and as part of its commitment to society, ENDESA has designed a Public Responsibility Plan, endowed with Euros 25 million (Euros 22 million euros net of the tax effect) for direct aid for the purchase of material, special supply conditions and donations to alleviate the main health and social needs caused by the health crisis, as well as programmes to support the relaunch of the economy in the worst affected sectors. During the 2020 financial year, this Plan accrued in its entirety.

The breakdown of net income and ordinary (recurring) net income for 2020 among ENDESA's Businesses and their variation relative to the previous year is presented hereunder (see Section 2.4. Results by Segment in this Consolidated Management Report):

Millions of euros

| | Net Income ⁽¹⁾ | | | | Net Ordinary Income ⁽²⁾ | | | |
|-------------------------------------|---------------------------|------------|--------------|-------------------------|------------------------------------|--------------|-------------|-------------------------|
| | 2020 | 2019 | % Var. | % Contribution to Total | 2020 | 2019 | % Var. | % Contribution to Total |
| Generation and Supply | 558 | (823) | (167.8) | 40.0 | 1,035 | 586 | 76.6 | 48.5 |
| Distribution | 989 | 1,077 | (8.2) | 70.9 | 1,157 | 1,059 | 9.3 | 54.3 |
| Structure and Others ⁽³⁾ | (153) | (83) | 84.3 | (11.0) | (60) | (83) | (27.7) | (2.8) |
| TOTAL | 1,394 | 171 | 715.2 | 100.0 | 2,132 | 1,562 | 36.5 | 100.0 |

(1) Net Income = Net Income of the Parent Company.

(2) Net Ordinary Income = Net Income of the Parent Company - Net Gains and Losses on Disposals of Non-Financial Assets (over Euros 10 million) - Net Losses due to Impairment of Non-Financial Assets (over Euros 10 million) - Initial Endowment Net of Personnel Expenses for Workforce Restructuring Plans relating to the Decarbonisation Plan and the Digitisation of Processes - Net Expenses corresponding to the Public Responsibility Plan for the COVID-19 Health Crisis.

(3) Structure, Services and Adjustments.

2.2. Changes in Accounting Principles.

The accounting policies used in drawing up this Consolidated Management Report are described in Note 2.1 to the Consolidated Financial Statements for the year ended 31 December 2020.

2.3. Analysis of Results.

The table below presents the details of the most significant figures in ENDESA's Consolidated Income Statement for 2020 and their variation compared with the previous year:

Millions of euros

| | Reference ⁽¹⁾ | Most Significant Figures | | |
|---|--------------------------|--------------------------|-----------------|---------------|
| | | 2020 | 2019 | % Var. |
| Income | 24 | 17,579 | 20,158 | (12.8) |
| Procurements and Services | 25 | (11,573) | (14,252) | (18.8) |
| Contribution Margin ⁽²⁾ | | 6,006 | 5,906 | 1.7 |
| Self-constructed Assets | 3a.1 and 3d.2 | 275 | 295 | (6.8) |
| Personnel Expenses | 26 | (1,147) | (1,022) | 12.2 |
| Other Fixed Operating Expenses | 27 | (1,351) | (1,338) | 1.0 |
| Gross Operating Profit (EBITDA) ⁽³⁾ | | 3,783 | 3,841 | (1.5) |
| Depreciation, Amortisation and Impairment Losses | 28 | (1,897) | (3,453) | (45.1) |
| Operating Profit (EBIT) ⁽⁴⁾ | | 1,886 | 388 | 386.1 |
| Net Financial Income/(Expense) ⁽⁵⁾ | 29 | (134) | (184) | (27.2) |
| Income before Tax | | 1,788 | 230 | 677.4 |
| Net Income ⁽⁶⁾ | | 1,394 | 171 | 715.2 |
| Net Ordinary Income ⁽⁷⁾ | | 2,132 | 1,562 | 36.5 |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

(2) Contribution margin = Revenue - Procurements and Services.

(3) EBITDA = Income - Procurements and Services + Self-constructed assets - Personnel expenses - Other fixed operating expenses.

(4) EBIT = EBITDA - Depreciation and amortisation, and impairment losses.

(5) Net finance income/(loss) = Finance income - Financial Expense + Net exchange differences.

(6) Net Income = Net Income of the Parent Company.

(7) Net Ordinary Income = Net Income of the Parent Company - Net Gains and Losses on Disposals of Non-Financial Assets (over Euros 10 million) - Net Losses due to Impairment of Non-Financial Assets (over Euros 10 million) - Initial Endowment Net of Personnel Expenses for Workforce Restructuring Plans relating to the Decarbonisation Plan and the Digitisation of Processes - Net Expenses corresponding to the Public Responsibility Plan for the COVID-19 Health Crisis.

EBITDA for 2020 amounted to Euros 3,783 million, down by 1.5% on the previous year.

Without the items recognised under "Personnel Expenses" in the Consolidated Income Statement for 2020 relating to the "V ENDESA Framework Collective Agreement", the Decarbonisation Plan and the digitisation of processes, for a total amount of Euros 244 million, gross operating profit (EBITDA) would have increased by 4.8% compared with the previous year (see Section 2.3.2. Operating Expenses in this Consolidated Management Report).

Operating profit (EBIT) for 2020 increased by Euros 1,498 million or 386.1% compared with the previous year, coming in at Euros 1,886 million.

Without taking into account the impacts described for gross operating profit (EBITDA), the provision for impairment of the coal-fired plants recognised in 2019 for Euros 1,366 million or its subsequent reversal in 2020 for Euros 17 million, operating profit (EBIT) would have increased by 20.5% compared with the previous year (see Section 2.3.2. Operating Expenses in this Consolidated Management Report).

Excluding the impacts described above on EBITDA, as well as the net impairment charge recorded at the mainland coal-fired thermal power plants (reversal of Euros 17 million in 2020 and impairment charge of Euros 1,366 million in 2019) and at the Non-mainland Territories ("TNP") Cash Generating Units (CGUs) (Euros 338 million and Euros 404 million in 2020 and 2019, respectively), operating income (EBIT) would have increased by Euros 293 million (+13.6%) compared to the previous year (see Section 2.3.2. Operating Costs of this Consolidated Management Report).

2.3.1. Income.

Income in 2020 totalled Euros 17,579 million, Euros 2,579 million or 12.8% less than in 2019.

The following are the details of the “Income” heading in the Consolidated Income Statement for 2020 and its variation relative to the previous year:

Millions of euros

| | Reference ⁽¹⁾ | Income | | | |
|------------------------|--------------------------|---------------|---------------|----------------|---------------|
| | | 2020 | 2019 | Difference | % Var. |
| Sales | 24.1 | 16,644 | 19,258 | (2,614) | (13.6) |
| Other Operating Income | 24.2 | 935 | 900 | 35 | 3.9 |
| TOTAL | 24 | 17,579 | 20,158 | (2,579) | (12.8) |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

Market situation.

Electricity demand trends in 2020, affected by the COVID-19 health crisis, were as follows:

- Total mainland electricity demand fell by 5.1% compared with the previous year (-5.1% adjusted for the effect of working days and temperature).
- Demand for electricity in the Non-mainland Territories (“TNP”) in 2020 decreased by 19.2% in the Balearic Islands and 10.5% in the Canary Islands compared with the previous year (-18.0% and -10.5% respectively when adjusted for the effect of working days and temperature).

2020 was characterised by lower prices, with the arithmetic mean price in the wholesale electricity market standing at Euros 33.96 per MWh (down by -28.8%), mainly as a consequence of the decrease in demand and trends in raw material prices.

During 2020 there was also a narrowing of the “thermal gap” (the percentage of demand not covered by renewables or nuclear and therefore met by conventional coal-fired or CC plants) due to the weakness of electricity demand, the increase in imports and the increase in renewable production. In this regard the contribution of renewable energies to total mainland production in 2019 was 45.5% (52.4% in 2019).

In this context:

- ENDESA's mainland electricity production in 2020 was 56,269 GWh, 8.4% less than in the previous year, as per the following details:

GWh

| Electricity Generation ⁽¹⁾ | 2020 | 2019 | % Var. |
|---|---------------|---------------|---------------|
| Mainland | 46,142 | 49,582 | (6.9) |
| Renewables | 13,415 | 10,090 | 33.0 |
| Hydroelectric | 7,681 | 5,861 | 31.1 |
| Wind ⁽²⁾ | 5,235 | 4,127 | 26.8 |
| Photovoltaic ⁽³⁾ | 498 | 101 | 393.1 |
| Biomass | 1 | 1 | - |
| Nuclear | 25,839 | 26,279 | (1.7) |
| Coal | 1,211 | 5,647 | (78.6) |
| Combined Cycles (CCGTs) ⁽⁴⁾ | 5,677 | 7,566 | (25.0) |
| Non-mainland Territories (“TNP”) | 10,127 | 11,820 | (14.3) |
| Coal | 222 | 1,996 | (88.9) |
| Fuel-gas | 4,217 | 5,703 | (26.1) |
| Combined Cycles (CCGTs) ⁽⁴⁾ | 5,688 | 4,121 | 38.0 |
| TOTAL | 56,269 | 61,402 | (8.4) |

(1) In power plant busbars.

(2) In 2020 it includes 112 GWh corresponding to Non-mainland Territories (“TNP”) (123 GWh in 2019).

(3) In 2020, it includes 1 GWh corresponding to Non-mainland Territories (“TNP”).

(4) Corresponding to natural gas.

- Non-emitting, renewable and nuclear technologies represented 69.8% of ENDESA's generation mix in 2020, (59.2% in 2019) compared with 80.8% for the rest of the sector (71.3% in 2019).

At 31 December 2020 ENDESA's market shares for electricity were:

- 18.0% in mainland electricity generation, including renewables.
- 42.9% in electricity distribution.

- 32.4% in electricity supply.

In 2020 conventional gas demand was down by 5.3% compared with the previous year, and at 31 December 2020 ENDESA had secured a market share of 14.3% in gas sales to customers in the deregulated market.

Sales.

The table below presents the details of the heading “Sales” in the Consolidated Income Statement for 2020 and the changes from the previous year:

Millions of euros

| | Reference ⁽¹⁾ | Sales | | | |
|---|--------------------------|---------------|---------------|----------------|---------------|
| | | 2020 | 2019 | Difference | % Var. |
| Electricity sales | | 11,969 | 13,801 | (1,832) | (13.3) |
| Deregulated market sales | | 8,245 | 9,404 | (1,159) | (12.3) |
| Deregulated market sales - Spain | | 7,201 | 8,320 | (1,119) | (13.4) |
| Deregulated market sales - other than Spain | | 1,044 | 1,084 | (40) | (3.7) |
| Sales at regulated prices | | 1,839 | 2,055 | (216) | (10.5) |
| Wholesale market sales | | 619 | 843 | (224) | (26.6) |
| Compensation for Non-mainland Territories (“TNP”) | | 1,111 | 1,376 | (265) | (19.3) |
| Remuneration for Renewable Energy Investment | | 135 | 105 | 30 | 28.6 |
| Other electricity sales | | 20 | 18 | 2 | 11.1 |
| Gas sales | | 1,865 | 2,450 | (585) | (23.9) |
| Deregulated market sales | | 1,812 | 2,369 | (557) | (23.5) |
| Sales at regulated prices | | 53 | 81 | (28) | (34.6) |
| Regulated income from electricity distribution | | 2,175 | 2,266 | (91) | (4.0) |
| Other sales and services rendered | | 635 | 741 | (106) | (14.3) |
| TOTAL | 24.1 | 16,644 | 19,258 | (2,614) | (13.6) |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

Electricity sales to customers in the deregulated market.

At 31 December 2020, ENDESA had 5,690,390 electricity customers in the deregulated market, 2.4% fewer than at 31 December 2019, as per the following breakdown:

- 4,444,091 (-3.8%) in the Spanish mainland market.
- 838,600 (-2.4%) in the Non-mainland Territories (“TNP”) market.
- 407,699 (+16.6%) in deregulated markets outside Spain.

ENDESA sold a net total of 69,430 GWh to these customers in 2020, 11.1% less than in 2019, as per the following breakdown:

- 59,800 GWh (-11.9%) in the Spanish deregulated market.
- 9,630 GWh (-5.6%) in deregulated markets outside Spain.

In monetary terms, sales on the deregulated market in 2020 totalled Euros 8,245 million (-12.3%), as per the following breakdown:

- Sales in the Spanish deregulated market totalled Euros 7,201 million, Euros 1,119 million or -13.4% down on the previous year, due basically to the decline in the number of physical units sold.
- Revenues from sales to customers in deregulated markets outside Spain amounted to Euros 1,044 million, down slightly (-3.7%) on 2019, basically due to movements in the unit price and the decrease in the number of physical units sold.

Sales of electricity at regulated prices.

At 31 December 2020, ENDESA had 4,730,105 electricity customers in the deregulated market, 1.6% fewer than at year-end 2019.

In 2020 ENDESA sold 11,342 GWh to customers to who regulated prices apply, through its supplier of reference, in line with its 2019 sales (-0.4%).

These sales entailed revenues of Euros 1,839 million, which was 10.5% lower than the figure for 2019, basically as a result of the decline in price.

Gas sales.

At 31 December 2020, ENDESA had 1,673,424 gas customers, 1.5% more than at 31 December 2019, as per the following breakdown:

- 233,066 (+1.3%) in the regulated market.
- 1,440,358 (+1.5%) in the deregulated market.

ENDESA sold 70,045 GWh to customers in the natural gas market in 2020, which represents a decrease of 12.2% relative to 2019.

In monetary terms, revenue from gas sales totalled Euros 1,865 million in 2020, down by Euros 585 million or 23.9% on the figure for 2019, as per the following breakdown:

- Gas sales in the deregulated market totalled Euros 1,812 million, Euros 557 million or 23.5% down on the figure for 2019, due basically to the decrease in the number of physical units sold and the lower selling price in the B2B segment.
- Revenue from gas sales to customers at regulated prices amounted to Euros 53 million, Euros 28 million or -34.6% less than in 2019, due basically to the decline in the price.

Compensation for generation in Non-mainland Territories (“TNP”).

In 2020, compensation for the extra cost of generation in Non-mainland territories (“TNP”), determined in accordance with the new remuneration parameters that have come into force for the 2020-2025 regulatory period, amounted to Euros 1,111 million, Euros 265 million or -19.3% less than in 2019, mainly as a consequence of lower production due to the decrease in demand and trends in commodity prices.

Electricity distribution.

ENDESA distributed 124,658 GWh in the Spanish market in 2020, 1.4% less than in 2019.

Regulated income from the distribution activity in 2020 amounted to Euros 2,175 million, which was Euros 91 million or -4.0% down on the previous year, mainly due to the application of the new remuneration parameters that have come into effect for the 2020-2025 regulatory period (see Note 4 to the Consolidated Financial Statements for 2020 and Section 3. Regulatory Framework in this Consolidated Management Report).

Other Operating Income.

The table below presents the details of other operating income in 2020 and the variations compared with the previous year:

Millions of euros

| | Reference ⁽¹⁾ | Other Operating Income | | | |
|---|--------------------------|------------------------|------------|------------|------------|
| | | 2020 | 2019 | Difference | % Var. |
| Change in energy derivatives | | 540 | 550 | (10) | (1.8) |
| Grants released to income ⁽²⁾ | 15 and 24.2 | 28 | 23 | 5 | 21.7 |
| Allocation to Profit and Loss of Customer Transferred Installations and Fees for Extension Service Connections and Liabilities under Contracts with Customers | 22 and 24.2 | 164 | 158 | 6 | 3.8 |
| Provision of Services in Facilities | | 4 | 4 | - | - |
| Third Party Indemnities | | 21 | 14 | 7 | 50.0 |
| Others | | 178 | 151 | 27 | 17.9 |
| TOTAL | | 935 | 900 | 35 | 3.9 |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

(2) Includes Euros 16 million relating to capital grants and Euros 12 million of operating grants in 2020 (Euros 18 million and Euros 5 million respectively in 2019).

(3) Includes Euros 237 million relating to revenue from ordinary activities from contracts with customers in 2020 (Euros 257 million 2019).

In 2020, other operating income amounted to Euros 935 million, representing an increase of 3.9%, and includes the Euros 10 million decrease (-1.8%) in income from the valuation and settlement of energy derivatives, due mainly to the evolution of the valuation and settlement of gas derivatives, which is considered together with the reduction of Euros 358 million (-54.7%) in expenses for this same item recognised under “Other Variable Procurements and Services” in the Consolidated Income Statement (see Section 2.3.2. Operating Expenses in this Consolidated Management Report).

The derivatives and hedging transactions entered into by ENDESA basically concern transactions arranged to hedge exchange rate risk or price risk on commodities such as electricity, fuel and CO₂ emission rights and their purpose is to eliminate or significantly reduce these risks in the underlying hedged transactions. In the current context, ENDESA has checked to make sure that they continue to meet the criteria established by the regulations for applying hedge accounting.

2.3.2. Operating expenses.

Operating expenses in 2020 amounted to Euros 15,693 million, down by 20.6% compared with the previous year.

The table below presents the details of operating expenses in 2020 and their variation compared with the previous year:

Millions of euros

| | Reference ⁽¹⁾ | Operating expenses | | | |
|--|--------------------------|--------------------|---------------|----------------|---------------|
| | | 2020 | 2019 | Difference | % Var. |
| Procurements and Services | | 11,573 | 14,252 | (2,679) | (18.8) |
| Energy purchased | 25.1 | 3,631 | 4,904 | (1,273) | (26.0) |
| Fuel consumption | 25.2 | 1,100 | 1,780 | (680) | (38.2) |
| Transmission costs | | 5,000 | 5,302 | (302) | (5.7) |
| Other Variable Procurements and Services | 25.3 | 1,842 | 2,266 | (424) | (18.7) |
| Self-constructed Assets | 3a.1 and 3d.2 | (275) | (295) | 20 | (6.8) |
| Personnel Expenses | 26 | 1,147 | 1,022 | 125 | 12.2 |
| Other Fixed Operating Expenses | 27 | 1,351 | 1,338 | 13 | 1.0 |
| Depreciation, Amortisation and Impairment Losses | 28 | 1,897 | 3,453 | (1,556) | (45.1) |
| TOTAL | | 15,693 | 19,770 | (4,077) | (20.6) |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

Procurements and services (variable costs).

Procurements and services (variable costs) totalled Euros 11,573 million in 2020, 18.8% less than in the previous year.

Changes in these costs in 2020 were as follows:

- Energy purchases decreased by Euros 1,273 million (-26.0%) to Euros 3,631 million as a consequence, mainly, of the decrease in the number of physical units and the arithmetic mean price in the wholesale electricity market, which was Euros 33.96 per MWh (-28.8%).

This heading includes an amount of Euros 9 million (Euros 6 million net of the tax effect) corresponding to the impairment of inventories of the mainland coal-fired plants (Euros 82 million and Euros 62 million respectively in 2019) (see Sections 2.3.6. Corporation Tax and 2.3.7. Net Income in this Consolidated Management Report).

- Fuel consumption amounted to Euros 1,100 million, with a decrease of Euros 680 million (-38.2%) due to lower thermal production in the period (-32.0%).
- Items under Other Variable Procurements and Services in the Consolidated Income Statement totalled Euros 1,842 million, down by Euros 424 million (-18.7%) on 2019, details being as follows:

| | Reference ⁽¹⁾ | Other Variable Procurements and Services | | | |
|---|--------------------------|--|--------------|--------------|---------------|
| | | 2020 | 2019 | Difference | % Var. |
| Change in energy derivatives | | 296 | 654 | (358) | (54.7) |
| Carbon dioxide (CO ₂) emission rights | | 229 | 372 | (143) | (38.4) |
| Tax on Electricity Production | | 234 | 225 | 9 | 4.0 |
| Treatment of radioactive waste | | 213 | 181 | 32 | 17.7 |
| Works licences/Street lighting | | 172 | 195 | (23) | (11.8) |
| Nuclear Taxes and Fees | | 125 | 97 | 28 | 28.9 |
| "Bono Social" discount rate | | 51 | 51 | - | - |
| Catalan Environmental Tax | | 54 | - | 54 | N/A |
| Water Tax | | 30 | 34 | (4) | (11.8) |
| Others | | 438 | 457 | (19) | (4.2) |
| TOTAL | 25.3 | 1,842 | 2,266 | (424) | (18.7) |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

This amount includes:

- The decrease of Euros 358 million (-54.7%) relative to the amount recognised in 2019 for expenses in respect of the valuation and settlement of energy derivatives, due mainly to developments in the valuation and settlement of gas derivatives, which is considered together with the Euros 10 million (-1.8%) decrease in income in respect of this same item, recognised under "Other Operating Income" in the Consolidated Income Statement (see Section 2.3.1. Income in this Consolidated Management Report).
- The decrease of Euros 143 million (-38.4%) in CO₂ emission rights due to the lower thermal production in the period (-32.0%).
- The expenditure of Euros 54 million in 2020 relating to the tax on facilities that affect the environment in the Autonomous Region of Catalonia as a result of the publication of Law 5/2020 of 29 April of the "Generalitat" (Catalan regional government) (see Section 3. Regulatory Framework of this Consolidated Management Report) and the Euros 27 million reversal of the Catalan nuclear tax recognised in 2019, as a result of its having been declared unconstitutional by the Constitutional Court in its ruling of 12 April 2019.

Fixed operating costs.

The table below presents the details of fixed operating costs in 2020 and their variation relative to the previous year:

| | Reference ⁽¹⁾ | Fixed Operating Costs | | | |
|--------------------------------|--------------------------|-----------------------|--------------|------------|------------|
| | | 2020 | 2019 | Difference | % Var. |
| Self-constructed Assets | 3a.1 and 3d.2 | (275) | (295) | 20 | (6.8) |
| Personnel Expenses | 26 | 1,147 | 1,022 | 125 | 12.2 |
| Other Fixed Operating Expenses | 27 | 1,351 | 1,338 | 13 | 1.0 |
| TOTAL | | 2,223 | 2,065 | 158 | 7.7 |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

Fixed operating costs amounted to Euros 2,223 million in 2020, representing an increase of Euros 158 million (+7.7%) compared with the previous year. To analyse the changes during 2020, the following factors must be taken into account:

– Signing of the “V ENDESA Framework Collective Agreement”:

After more than two years of fruitless negotiations, on 4 December 2019, the majority trade union in ENDESA, General Workers Union (UGT), and ENDESA agreed to submit to a “binding equity arbitration” some of the most significant aspects discussed in the negotiation of the “V ENDESA Framework Collective Agreement”.

ENDESA and the aforesaid majority union agreed before the Interconfederal Mediation and Arbitration Service (“SIMA”) the procedure and matters subject to arbitration, and that the terms of the decision of the arbitrator would be incorporated into the Collective Agreement that was agreed upon. Following the appointment by common accord of Mr Manuel Pimentel Siles as sole arbitrator, the procedure was carried out during the months of December 2019 and January 2020 in the terms agreed by the parties, ending with the issue of a mandatory Arbitration Award on 21 January 2020.

In accordance with the agreement between the parties, the content of the Arbitration Award and other aspects resulting from the agreement at the negotiating table not submitted to arbitration were incorporated into the “V ENDESA Framework Collective Agreement” which was approved and signed by the Company and the Trade Union Section of the General Workers' Union (UGT), and has general effect since the UGT is the majority union in the Company, on 23 January 2020. On the same date, the new “Guarantee Framework Agreement” and “Agreement on Voluntary Suspension or Termination of Employment Contracts” were signed, in this case by all unions represented in ENDESA.

The “V ENDESA Framework Collective Agreement” establishes a modification of certain social benefits, basically the employee electricity tariff, which now also includes retired employees, which led to the following accounting entries:

- Valuation of the previous actuarial liability for the uninsured defined benefit commitments at the effective date of the “V ENDESA Framework Collective Agreement”, which had a positive impact of Euros 10 million on the Consolidated Statement of Other Comprehensive Income for 2020.
- Valuation of the new actuarial liability at the effective date of the “V ENDESA Framework Collective Agreement”, taking account of the new commitments assumed, mainly in relation to electricity supply, which had a positive impact of Euros 515 million on the Consolidated Income Statement for 2020 (Euros 386 million net of the tax effect) (see Sections 2.1. Consolidated Results and 2.3.6. Corporate Income Tax in this Consolidated Management Report).

Additionally, at 31 December 2020, ENDESA revalued the actuarial liability for defined benefit commitments, with a net negative impact of Euros 70 million on the Consolidated Statement of Other Comprehensive Income for 2020.

– Workforce restructuring plans:

- Recognition of a provision in the amount of Euros 159 million in the Consolidated Income Statement for 2020 (Euros 119 million net of the tax effect) as a result of the communication made to the union representation regarding the non-exercise of the right to terminate individual suspension of employment agreements in respect of certain contracts signed with employees in the framework of the “Agreement on Voluntary Measures for Suspension or Termination of Employment Contracts” (see Sections 2.1. Consolidated Results and 2.3.6. Corporation Tax in this Consolidated Management Report).
- Recognition of a provision in the amount of Euros 213 million in the Consolidated Income Statement for 2020 (Euros 160 million net of the tax effect) in respect of the Decarbonisation Plan, the decision adopted on 27 September 2019 to decommission the coal-fired power plants and the reorganisation of activities deriving from the energy transition (see Sections 2.1. Consolidated Results, 2.3.6. Corporation Tax, 2.3.7. Net Income and 6.2. Strategic Lines of Action in this Consolidated Management Report).

This transition is being carried out through a process negotiated and agreed with the union representation which envisages on the one hand the internal relocation of part of the affected

personnel with the aid of training measures, and on the other hand the departure of approximately 577 employees affected by the change of energy model.

- Provisioning of Euros 387 million in the Consolidated Income Statement for 2020 (Euros 290 million net of the tax effect) in respect of ENDESA's commitment, in its Strategic Plan 2021-2023, to effecting improvements in efficiency, which involves the departure of approximately 1,200 employees affected, among other things, by the digitisation of processes (see Sections 2.1. Consolidated Results, 2.3.6. Corporation Tax, 2.3.7. Net income and 6.2. Strategic Lines of Action in this Consolidated Management Report).
- Update of the provisions for current workforce restructuring plans, which had a positive impact of Euros 44 million on the Consolidated Income Statement for 2020 (Euros 1 million, positive, in 2019).
- Expense relating to sanctions and penalties in an amount of Euros 42 million (Euros 57 million in 2019).
- Impairment of other materials related to the mainland coal-fired power plants in 2019 amounting to Euros 21 million (Euros 16 million net of the tax effect) (see Section 2.3.7. Net Income in this Consolidated Management Report).
- Within the framework of the Public Responsibility Plan and procurement of supplies related to the COVID-19 health crisis, ENDESA recognised costs of Euros 25 million in 2020 (Euros 22 million net of the tax effect) (see Notes 2.2.1, 33.2.1 and 38 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2020 and Sections 2.3.7. Net income and 7.1. COVID-19 Health Crisis in this Consolidated Management Report).

Excluding the effects described in the foregoing paragraphs, fixed operating costs in 2020 would have decreased by Euros 32 million (-1.6%).

Depreciation and amortisation and impairment losses.

The table below presents the breakdown of depreciation and amortisation and impairment losses in 2020 and the variations compared with the previous year:

| Millions of euros | | Depreciation, Amortisation and Impairment Losses | | | |
|---|--------------------------|--|------------------------|----------------|---------------|
| | Reference ⁽¹⁾ | 2020 | 2019 | Difference | % Var. |
| AMORTISATIONS | | 1,464 | 1,553 | (89) | (5.7) |
| Provision for the depreciation of property, plant and equipment | 6 | 1,221 | 1,302 | (81) | (6.2) |
| Provision for the amortisation of intangible assets | 8 | 243 | 251 | (8) | (3.2) |
| IMPAIRMENT LOSSES | | 433 | 1,900 | (1,467) | (77.2) |
| Non-Financial Assets | | 323 | 1,769 | (1,446) | (81.7) |
| Impairment of property, plant and equipment and investment property | 33.2 | 325 | 1,757 | (1,432) | (81.5) |
| Mainland coal-fired thermal power plants | 3e.4 and 6 | (17) ⁽²⁾ | 1,352 ⁽³⁾ | (1,369) | (101.3) |
| CGUs of the Non-mainland Territories ("TNP") | 3e.4 and 6 | 338 | 401 ^{(3) (4)} | (63) | (15.7) |
| Other Property, Plant and Equipment and Investment Property | 6 and 7 | 4 | 4 | - | - |
| Impairment of intangible assets | 8 and 33.2 | (2) | (5) | 3 | (60.0) |
| Other Intangible Assets | | (2) | (5) | 3 | (60.0) |
| Impairment Losses on Goodwill | 9 and 33.2 | - | 17 | (17) | (100.0) |
| Iberian Peninsula Generation CGU | 3e.4 | - | 14 ⁽³⁾ | (14) | (100.0) |
| Canary Islands CGU | 3e.4 | - | 3 ⁽³⁾ | (3) | (100.0) |
| Financial Assets | 18.4.1 and 33.2 | 110 | 131 | (21) | (16.0) |
| Addition to provision for Impairment of Accounts Receivable from Contracts with Customers | 12.1 | 120 ⁽⁵⁾ | 128 | (8) | (6.3) |
| Addition to provision for Impairment losses on other Financial Assets | 18.1.1 | (10) | 3 | (13) | (433.3) |
| TOTAL | | 1,897 | 3,453 | (1,556) | (45.1) |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

(2) Includes the provision for impairment of the Los Barrios Port Terminal (Cádiz) (Euros 10 million), as well the reversal of impairment of non-financial assets (Euros 1 million) and the update of provisions for dismantling (Euros 26 million).

(3) Euros 1,332 million net of the tax effect (see Section 2.3.7. Net Income in this Consolidated Management Report)

(4) Euros 14 million were allocated to the Alcudia Thermal Power Plant (Balearic Islands).

(5) Includes impairment losses on trade receivables related to the impact of COVID-19 of Euros 50 million.

Depreciation and amortisation, and impairment losses in 2020 totalled Euros 1,897 million, down by Euros 1,556 million (-45.1%) on 2019, mainly as a result of the following aspects:

- Impairment of the mainland coal-fired thermal power plants.

Recognition in 2019 of an impairment of the mainland coal-fired thermal power plants in the amount of Euros 1,366 million, in accordance with the decision adopted on 27 September 2019 to decommission them. In 2020 the net provision recognised under this head involved a reversal of Euros 17 million euros (see Notes 3c, 3e.4, 6.4, 9 and 28 to the Consolidated Financial Statements for the year ended 31 December 2020 and Sections 2.3.6. Corporation Tax and 2.3.7. Net Income in this Consolidated Management Report).

- Impairment of the CGUs of each of the Non-mainland Territories (“TNP”) - the Balearic Islands, the Canary Islands, Ceuta and Melilla.

On 28 December 2019, Order TEC/1260/2019 of 26 December was published. It establishes the technical and economic parameters to be used in calculating remuneration for electricity production in Non-mainland Territories (“TNP”) with additional remuneration regimes during the 2020-2025 regulatory period (see Note 4 to the Consolidated Financial Statements for the year ended 31 December 2020). This revision of technical and economic parameters implied for ENDESA, among other things, a decrease in the remuneration of operating and maintenance costs for the 2020-2025 regulatory period, and as a consequence, the recoverable amount of the CGUs for each of the Non-mainland Territories (“TNP”) of the Balearic Islands, Canary Islands and Ceuta and Melilla is lower than its carrying amount, for which reason an impairment loss has been recognised in the Consolidated Income Statement for a total amount of Euros 404 million (see Notes 3c, 3e.4, 9 and 28 to the Consolidated Financial Statements for the year ended 31 December 2020 and Sections 2.3.6. Corporation Tax and 2.3.7. Net Income in this Consolidated Management Report).

At 31 December 2020 a re-estimate of the recoverable value of the assets of the Non-mainland Territories (“TNP”) was carried out, taking into account, among other aspects, the publication on 7 August 2020 in the Official State Gazette (“BOE”), of Order TED/776/2020 of 4 August revising the product and logistics prices to be used in determining the price of fuel and establishing a maximum value for the start-up settlement time per standard facility applicable to production facilities located in Non-mainland Territories (“TNP”) (TNP) covered by the additional remuneration regime (see Note 4 to the Consolidated Financial Statements for the year ended 31 December 2020 and Section 3. Regulatory Framework of this Consolidated Management Report). As a consequence of this re-estimation, an impairment of the CGUs was recognised for each of the Non-mainland Territories (“TNP”) - the Balearic Islands, the Canary Islands, Ceuta and Melilla - for a total amount of Euros 338 million (see Notes 3e.4, 6.4 and 28 to the Consolidated Financial Statements for the year ended 31 December 2020 and Sections 2.3.6. Corporation Tax and 2.3.7. Net Income in this Consolidated Management Report).

- Depreciation and amortisation charges.

Depreciation and amortisation charges decreased by Euros 89 million in 2020, reflecting on the one hand the decrease of Euros 156 million as a result of the impairments described in the foregoing paragraphs, and on the other the increase of Euros 29 million due to the commissioning of power generation assets from renewable sources.

- Loss due to impairment of accounts receivable.

Lower impairment losses from customer contracts of Euros 8 million, mainly as a result of lower electricity and gas sales to customers, especially in the Business to Business (B2B) segment, due to lower demand and prices in 2020, better payment behaviour of public administrations and other factors, including intensified collection management in the Business to Business (B2B) segment, with a favourable impact on the allowance of Euros 21 million, Euros 8 million and Euros 29 million, respectively, which were partially offset, in the opposite direction, by the Euros 50 million impairment losses from contracts with customers in the Business to Customer (B2C) segment, as a result of the increase in bad debts due to the ban on supply cut-off for a large part of 2020 due to the extraordinary measures related to the economic situation caused by COVID-19 (see Notes 2. 2.1, 3g.3, 4, 19.5, 28

and 38 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2020 and Sections 3. Regulatory Framework and 7.1. COVID-19 Health Crisis of this Consolidated Management Report).

Without taking into account the effects described in the foregoing paragraphs, the depreciation and amortisation charge for 2020 would have increased Euros 27 million (+1.7%) compared with 2019.

2.3.3. Net finance income/(expense).

Net finance income/(expense) in 2020 and 2019 was negative in the amounts of Euros 134 million and Euros 184 million respectively.

The table below presents the details of net finance income/(expense) in 2020 and its variations compared with the previous year:

Millions of euros

| | Reference ⁽¹⁾ | Net Finance Income/(Expense) ⁽²⁾ | | | |
|--------------------------------------|--------------------------|---|--------------|------------|---------------|
| | | 2020 | 2019 | Difference | % Var. |
| Net Financial Expense ⁽³⁾ | | (146) | (185) | 39 | (21.1) |
| Finance Income | | 28 | 27 | 1 | 3.7 |
| Financial Expense | | (174) | (212) | 38 | (17.9) |
| Net Exchange Differences | | 12 | 1 | 11 | 1,100.0 |
| TOTAL | 29 | (134) | (184) | 50 | (27.2) |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

(2) Net finance income/(loss) = Finance income - Financial Expense + Net exchange differences.

(3) Net Financial Expense = Finance Income - Financial Expense.

In 2020, net Financial Expense totalled Euros 146 million, Euros 39 million (-21.1%) less than in the previous year.

In 2020, net exchange differences amounted to Euros 12 million, positive (Euros 1 million, positive, in 2019), mainly due to the financial debt in US dollars (USD) associated with rights of use corresponding to charter contracts for the transport of LNG.

In considering the evolution of net Financial Expense in 2020 the following factors need to be taken into account:

Millions of euros

| | Net Financial Expense ⁽¹⁾ | | | |
|--|--------------------------------------|--------------|------------|---------------|
| | 2020 | 2019 | Difference | % Var. |
| Net Expense in respect of Financial Liabilities at Amortised Cost | (132) | (133) | 1 | (0.8) |
| Income from Financial Assets at Amortised Cost | 1 | 2 | (1) | (50.0) |
| Update of Provisions for Workforce Restructuring Plans, Dismantling of Facilities and Impairment of Financial Assets in accordance with IFRS 9 "Financial Instruments" | (6) | (49) | 43 | (87.8) |
| Interest on late payment of Corporate Income Tax 2016-2017 | 7 | - | 7 | N/A |
| Others | (16) | (5) | (11) | 220.0 |
| TOTAL | (146) | (185) | 39 | (21.1) |

(1) Net Financial Expense = Finance Income - Financial Expense.

Net expenses for financial liabilities at amortised cost amounted to Euros 132 million, Euros 1 million (-0.8%) less than in the previous year, due to the combination of the following effects (see Section 4.1. Financial Management in this Consolidated Management Report):

- The lower average cost of gross financial debt, which declined from 1.8% in 2019 to 1.7% in 2020.
- The increase in average gross financial debt, from Euros 7,431 million in 2019 to Euros 8,104 million in 2020.

As a result of the Constitutional Court's ruling Royal Decree Law 2/2016 of 30 September unconstitutional, income of Euros 7 million was recognised in 2020 in respect of the delay interest on the amounts of fractional payments for Corporation Tax for 2016 and 2017, for the difference between the previously effective rate and the increased rate introduced by this Royal Decree Law which has now been annulled.

Apart from this, as a consequence of the decommissioning of the Litoral thermal power plant in Almería, in 2019 this heading included an impairment loss of Euros 21 million corresponding to the compensation due to ENDESA Generación, S.A. by the Port Authority of Almeria in the context of the partial termination of its concession for the Port of Carboneras.

2.3.4. Net Profit/(Loss) of Companies accounted for using the equity method.

In 2020 and 2019 net income of companies accounted for using the equity method amounted to Euros 34 million and Euros 15 million respectively, the breakdown being as follows:

Millions of euros

| | Reference (1) | Net Profit/(Loss) of Companies accounted for using the equity method | |
|---|---------------|--|-----------|
| | | 2020 | 2019 |
| Associates | | 1 | 5 |
| Tecnatom, S.A. | | (2) | 1 |
| Gorona del Viento El Hierro, S.A. | | - | 1 |
| Boiro Energía, S.A. | | 1 | - |
| Compañía Eólica Tierras Altas, S.A. | | - | - |
| Others | | 2 | 3 |
| Joint Ventures | | 33 | 10 |
| Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A. | | (3) | (7) |
| Front Marítim del Besòs, S.L. | | (4) | - |
| Nuclenor, S.A. | | 25 | - |
| Énergie Électrique de Tahaddart, S.A. | | 1 | 2 |
| Suministradora Eléctrica de Cádiz, S.A. | | 5 | 4 |
| Others | | 9 | 11 |
| TOTAL | 10 | 34 | 15 |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

Nuclenor, S.A.

The results of the 50% stake in Nuclenor, S.A. for an amount of Euros 25 million reflect the effect of Ruling 84/2020 of the Constitutional Court dated 15 July 2020 declaring a regional tax unconstitutional. The tax in question was the tax on the environmental impact caused by certain uses of dammed water by wind farms and high voltage electric power transport facilities regulated in the revised text of the legal provisions of the Autonomous Region of Castilla y León regarding own and assigned taxes.

Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A.

In 2020 and 2019 the results of the 43.75% holding in Tejo Energia - Produção e Distribuição de Energia Eléctrica, S.A. include the provisions made for the termination in November 2021 of the long-term electricity sale contract with Rede Eléctrica Nacional, S.A. (REN).

2.3.5. Gains/(losses) on disposal of assets

Net gains on disposal of assets in 2020 and 2019 amounted to Euros 2 million and Euros 11 million respectively, broken down as follows:

Millions of euros

| | Reference ⁽¹⁾ | Net gains/(losses) on disposal of assets | |
|---|--------------------------|--|-------------------|
| | | 2020 | 2019 |
| Non-Financial Assets | | 26 | 40 |
| Transfer of Optical Fibre Use Rights | | 6 | 24 ⁽³⁾ |
| Other gains/losses | | 20 | 16 |
| Disposals of Investments in Group Companies and Other | | - | 1 ⁽⁴⁾ |
| Disposals of property, plant and equipment ⁽²⁾ | | 20 | 15 |
| Financial Assets | | (24) | (29) |
| Factoring transaction fees | 12.1 | (24) | (29) |
| TOTAL | 30 | 2 | 11 |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

(2) Corresponds to capital gains generated by the sale of land and buildings.

(3) Euros 18 million net of the tax effect (see Section 2.3.7. Net Income in this Consolidated Management Report).

(4) Corresponds to the gross result generated by the divestment of Eólica del Noroeste, S.L. and Ufefys, S.L. (in liquidation) (see Notes 2.3 and 2.4 to the Consolidated Financial Statements for the year ended 31 December 2020).

On 31 July 2020, ENDESA Energía, S.A.U. sold assets and contracts with customers to ENDESA Soluciones, S.L. relating to a photovoltaic plant located in El Acebuche–Retamar (Almería) for Euros 17 million. Subsequently, on 30 November 2020, ENDESA Soluciones, S.L. sold these assets to a third party, generating a total gross capital gain of Euros 9 million.

On 19 December 2019 ENDESA Ingeniería, S.L.U. and Empresa de Alumbrado Eléctrico de Ceuta Distribución, S.A.U. signed an agreement with a third party assigning exclusive long-term usage rights for their surplus dark fibre optic network for an amount of Euros 132 million, generating a gross capital gain of Euros 24 million. During the year 2020 there was an update of this capital gain in accordance with the events that finally occurred.

2.3.6. Corporate income tax.

Corporate income tax expense for 2020 amounted to Euros 388 million, Euros 338 million more than the amount recognised for 2019, mainly as a result of:

- The impacts recognised under “Personnel Expenses” in the Consolidated Income Statement for 2020 relating to the Company's Decarbonisation Plan, the digitisation of processes and the “V ENDESA Framework Collective Agreement” for a total amount of Euros 244 million, the tax effect of which was Euros 61 million (see Section 2.3.2. Operating Expenses in this Consolidated Management Report).
- The impairment recognised in 2019 relating to the assets of the mainland coal-fired thermal power plants for a total of Euros 1,469, the tax effect of which amounted to Euros 364 million, and its subsequent net reversal in 2020 in an amount of Euros 8 million, the tax effect of which was Euros 2 million (see Section 2.3.2. Operating Expenses in this Consolidated Management Report).
- The impairment recognised in 2020 and 2019 relating to the Cash Generating Units (CGUs) for each of the Non-mainland Territories (“TNP”) of the Balearic Islands, Canary Islands, Ceuta and Melilla for a total amount of Euros 338 million and Euros 404 million, respectively, whose tax effects amounted to Euros 85 million and Euros 100 million, respectively (see Section 2.3.2. Operating costs of this Consolidated Management Report).

Without taking into account the effects described in the foregoing paragraphs, Corporation Tax expense for 2020 would have increased by Euros 18 million or 3.5% compared with the previous year and the effective rate would have been 22.5% (24.4% in 2019) as a consequence, basically, of greater deductions for investments in the Canary Islands recognised in profit and loss and the regularisation of the declaration for 2019 recognised in 2020.

At the date of approval of this Consolidated Management Report, the recovery of deferred tax assets is not affected by the current context and the effective rate does not reflect any legislative changes affecting Corporate Income Tax.

2.3.7. Net Income

Net income attributable to the Parent company in 2020 came to Euros 1,394 million, representing an increase of Euros 1,223 million relative to 2019 (+715.2%).

Net ordinary income attributable to the Parent in 2020 amounted to Euros 2,132 million (+36.5%), as per the following breakdown:

| Millions of euros | | | | | |
|---|----------|--------------|--------------|--------------|--------------|
| | Sections | 2020 | 2019 | Difference | % Var. |
| Net Income ⁽¹⁾ | | 1,394 | 171 | 1,223 | 715.2 |
| Net Gains/(Losses) on Disposal of Non-Financial Assets ⁽²⁾ | 2.3.5 | - | (18) | 18 | (100.0) |
| Transfer of Optical Fibre Use Rights | | - | (18) | 18 | (100.0) |
| Net Impairment Losses on Non-Financial Assets ⁽²⁾ | 2.3.2 | 266 | 1,409 | (1,143) | (81.1) |
| Mainland coal-fired thermal plants, inventories and other materials | | 13 | 1,105 | (1,092) | (98.8) |
| CGUs of the Non-mainland Territories ("TNP") | | 253 | 304 | (51) | (16.8) |
| Net Initial Provisioning of Personnel Expenses in respect of Workforce Restructuring Plans relating to the Decarbonisation Plan and the Digitisation of Processes | 2.3.2 | 450 | - | 450 | N/A |
| Net Expenditure Corresponding to the Public Responsibility Plan for the COVID-19 Health Crisis | 2.3.2 | 22 | - | 22 | N/A |
| Net Ordinary Income ⁽³⁾ | | 2,132 | 1,562 | 570 | 36.5 |

(1) Net Income = Net Income of the Parent Company.

(2) Greater than Euros 10 million.

(3) Net Ordinary Income = Net Income of the Parent Company - Net Gains and Losses on Disposals of Non-Financial Assets (over Euros 10 million) - Net Losses due to Impairment of Non-Financial Assets (over Euros 10 million) - Initial Endowment Net of Personnel Expenses for Workforce Restructuring Plans relating to the Decarbonisation Plan and the Digitisation of Processes - Net Expenses corresponding to the Public Responsibility Plan for the COVID-19 Health Crisis.

2.4. Results by Segment.

Segment information is provided in Note 33 to the Consolidated Financial Statements for the year ended 31 December 2020.

The following is a breakdown of the most significant figures in the Consolidated Income Statement among ENDESA's Businesses for the years 2020 and 2019:

| Millions of euros | | | | | | | |
|---|--|-----------------------------|--------------|-----------------|--------------|-------------------------------------|-----------------|
| 2020 | | | | | | | |
| | Generation and Supply | | | | Distribution | Structure and Others ⁽¹⁾ | Total |
| | Generation in Non-mainland Territories ("TNP") | Other Generation and Supply | Adjustments | Total | | | |
| Income | 1,612 | 14,158 | (555) | 15,215 | 2,720 | (356) | 17,579 |
| Sales | 1,606 | 13,460 | (556) | 14,510 | 2,461 | (327) | 16,644 |
| Other Operating Income | 6 | 698 | 1 | 705 | 259 | (29) | 935 |
| Procurements and Services | (1,078) | (11,155) | 547 | (11,686) | (174) | 287 | (11,573) |
| Contribution Margin ⁽²⁾ | 534 | 3,003 | (8) | 3,529 | 2,546 | (69) | 6,006 |
| Self-constructed Assets | 6 | 101 | - | 107 | 148 | 20 | 275 |
| Personnel Expenses | (109) | (459) | 2 | (566) | (302) | (279) | (1,147) |
| Other Fixed Operating Expenses | (220) | (915) | 6 | (1,129) | (420) | 198 | (1,351) |
| Gross Operating Profit (EBITDA) ⁽³⁾ | 211 | 1,730 ⁽⁸⁾ | - | 1,941 | 1,972 | (130) | 3,783 |
| Depreciation, Amortisation and Impairment Losses | (431) | (857) | 89 | (1,199) | (635) | (63) | (1,897) |
| Operating Profit (EBIT) ⁽⁴⁾ | (220) | 873 | 89 | 742 | 1,337 | (193) | 1,886 |
| Net Financial Income/(Expense) ⁽⁵⁾ | (18) | (53) | - | (71) | (56) | (7) | (134) |
| Income before Tax | (238) | 833 | 89 | 684 | 1,304 | (200) | 1,788 |
| Net Income ⁽⁶⁾ | (136) | 605 | 89 | 558 | 989 | (153) | 1,394 |
| Net Ordinary Income ⁽⁷⁾ | 145 | 801 | 89 | 1,035 | 1,157 | (60) | 2,132 |

(1) Structure, Services and Adjustments.

(2) Contribution margin = Revenue - Procurements and Services.

(3) EBITDA = Income - Procurements and Services + Self-constructed assets - Personnel expenses - Other fixed operating expenses.

(4) EBIT = EBITDA - Depreciation and amortisation, and impairment losses.

(5) Net finance income/(loss) = Finance income - Financial Expense + Net exchange differences.

(6) Net Income = Net Income of the Parent Company.

(7) Net Ordinary Income = Net Income of the Parent Company - Net Gains and Losses on Disposals of Non-Financial Assets (over Euros 10 million) - Net Losses due to Impairment of Non-Financial Assets (over Euros 10 million) - Initial Endowment Net of Personnel Expenses for Workforce Restructuring Plans relating to the Decarbonisation Plan and the Digitisation of Processes - Net Expenses corresponding to the Public Responsibility Plan for the COVID-19 Health Crisis.

(8) Includes the EBITDA of ENEL Green Power España, S.L.U. (EGPE) amounting to Euros 209 million.

Millions of euros

| | 2019 | | | | | | Total |
|---|--|-----------------------------|--------------|-----------------|--------------|-------------------------------------|-----------------|
| | Generation and Supply | | | | Distribution | Structure and Others ⁽¹⁾ | |
| | Generation in Non-mainland Territories ("TNP") | Other Generation and Supply | Adjustments | Total | | | |
| Income | 2,034 | 16,405 | (902) | 17,537 | 2,828 | (207) | 20,158 |
| Sales | 2,030 | 15,718 | (902) | 16,846 | 2,566 | (154) | 19,258 |
| Other Operating Income | 4 | 687 | - | 691 | 262 | (53) | 900 |
| Procurements and Services | (1,496) | (13,603) | 895 | (14,204) | (182) | 134 | (14,252) |
| Contribution Margin ⁽²⁾ | 538 | 2,802 | (7) | 3,333 | 2,646 | (73) | 5,906 |
| Self-constructed Assets | 8 | 88 | - | 96 | 175 | 24 | 295 |
| Personnel Expenses | (93) | (450) | 1 | (542) | (280) | (200) | (1,022) |
| Other Fixed Operating Expenses | (186) | (937) | 6 | (1,117) | (442) | 221 | (1,338) |
| Gross Operating Profit (EBITDA) ⁽³⁾ | 267 | 1,503 ⁽⁸⁾ | - | 1,770 | 2,099 | (28) | 3,841 |
| Depreciation, Amortisation and Impairment Losses | (543) | (2,216) | - | (2,759) | (626) | (68) | (3,453) |
| Operating Profit (EBIT) ⁽⁴⁾ | (276) | (713) | - | (989) | 1,473 | (96) | 388 |
| Net Financial Income/(Expense) ⁽⁵⁾ | (23) | (92) | - | (115) | (63) | (6) | (184) |
| Income before Tax | (298) | (684) | (130) | (1,112) | 1,444 | (102) | 230 |
| Net Income ⁽⁶⁾ | (202) | (491) | (130) | (823) | 1,077 | (83) | 171 |
| Net Ordinary Income ⁽⁷⁾ | 102 | 614 | (130) | 586 | 1,059 | (83) | 1,562 |

(1) Structure, Services and Adjustments.

(2) Contribution margin = Revenue - Procurements and Services.

(3) EBITDA = Income - Procurements and Services + Self-constructed assets - Personnel expenses - Other fixed operating expenses.

(4) EBIT = EBITDA - Depreciation and amortisation, and impairment losses.

(5) Net finance income/(loss) = Finance income - Financial Expense + Net exchange differences.

(6) Net Income = Net Income of the Parent Company.

(7) Net Ordinary Income = Net Income of the Parent Company - Net Gains and Losses on Disposals of Non-Financial Assets (over Euros 10 million) - Net Losses due to Impairment of Non-Financial Assets (over Euros 10 million).

(8) Includes the EBITDA of ENEL Green Power España, S.L.U. (EGPE) amounting to Euros 223 million.

2.4.1. Contribution Margin

Generation and Supply Segment.

The contribution margin in 2020 amounted to Euros 3,529 million, representing an increase of Euros 196 million (+5.9%) compared with the previous year, basically as a result of the decrease in variable costs (-17.7%) which in turn was due to the lower thermal production of the period (-32.0%).

Distribution Segment.

In 2020 the contribution margin amounted to Euros 2,546 million, Euros 100 million or 3.8% less than the previous year, mainly due to the Euros 91 million (-4.0%) reduction in regulated income of the distribution activity due to the application of the new remuneration parameters that have come into force for the 2020-2025 regulatory period (see Note 4 to the Consolidated Financial Statements for the year ended 31 December 2020 and Section 3. Regulatory Framework in this Consolidated Management Report).

Structure and Others.

In 2020 the contribution margin was a negative Euros 69 million, in line with the amount of the previous year.

2.4.2. EBITDA

Generation and Supply Segment.

In 2020, EBITDA amounted to Euros 1,941 million (+9.7%), mainly as a result of:

- The 5.9% increase in the contribution margin.
- The income recognised as a consequence of the changes in employee benefits, due to the entry into force of the "V ENDESA Framework Collective Agreement", for an amount of Euros 215 million.

- Recognition of a provision workforce restructuring plans relating to the Company's Decarbonisation Plan, the digitisation of processes and other plans within the framework of the "Agreement on Voluntary Measures of Suspension or Termination of Employment Contracts" for a total amount of Euros 310 million.
- The updating of provisions for workforce restructuring plans in place (Euros 17 million, positive, in 2020 and Euros 4 million, negative, in 2019).
- Impairment of other materials related to the mainland coal-fired power plants in 2019 amounting to Euros 21 million (Euros 16 million net of the tax effect).

Distribution Segment.

In 2020, EBITDA amounted to Euros 1,972 million (-6.1%), including, *inter alia*:

- The -3.8% decline in the contribution margin.
- The income recognised as a consequence of the changes in employee benefits, due to the entry into force of the "V ENDESA Framework Collective Agreement", for an amount of Euros 269 million.
- Recognition of a provision for workforce restructuring plans relating, mainly, to the digitisation of processes and other plans within the framework of the "Agreement on Voluntary Measures of Suspension or Termination of Employment Contracts" for a total amount of Euros 315 million.
- The updating of provisions for workforce restructuring plans in place (Euros 5 million, positive, in 2020 and Euros 1 million, positive, in 2019).

Structure and Others.

In 2020, EBITDA amounted to a negative Euros 130 million, including, *inter alia*:

- The income recognised as a consequence of the changes in employee benefits, due to the entry into force of the "V ENDESA Framework Collective Agreement", for an amount of Euros 31 million.
- Recognition of a provision workforce restructuring plans within the framework of the "Agreement on Voluntary Measures of Suspension or Termination of Employment Contracts" for Euros 134 million.
- The updating of provisions for workforce restructuring plans in place (Euros 22 million, positive, in 2020 and Euros 4 million, positive, in 2019).
- The expenditure by way of donations corresponding to the Public Responsibility Plan and purchases of supplies related to COVID-19 for an amount of Euros 25 million (Euros 22 million net of the tax effect).

2.4.3. EBIT

Generation and Supply Segment.

Operating profit (EBIT) for 2020 was Euros 742 million, which was Euros 1,731 million more than in 2019, mainly as a result of:

- A 9.7% increase in EBITDA.
- Recognition in 2019 of an impairment of the mainland coal-fired thermal power plants in the amount of Euros 1,366 million, in accordance with the decision adopted on 27 September 2019 to decommission them, and its subsequent net reversal in 2020 for Euros 17 million.

- Recognition in 2020 of an impairment of the CGUs of the Non-mainland Territories (“TNP”) of Balearic Islands, Canary Islands, Ceuta and Melilla for a total amount of Euros 338 million (Euros 404 million in 2019).

Distribution Segment.

EBIT in 2020 amounted to Euros 1,337 million, -9.2% down on the previous year, mainly as a result of the 6.1% decrease in EBITDA.

Structure and Others.

Operating profit (EBIT) for 2020 amounted to a negative Euros 193 million.

2.5. Scope of Consolidation.

The following transactions were carried out in 2020:

| | Reference ⁽¹⁾ | Transaction | Date | Activity | Equity stake at 31 December 2020 (%) | | Equity stake at 31 December 2019 (%) | |
|---|--------------------------|---------------|-------------------|---|--------------------------------------|----------|--------------------------------------|----------|
| | | | | | Control | Economic | Control | Economic |
| | | | | | | | | |
| Empresa de Alumbrado Eléctrico de Ceuta, S.A. ⁽²⁾ | 2.3.1 | Acquisition | 18 February 2020 | Supply and Distribution | 96.37 | 96.37 | 96.29 | 96.29 |
| Energía Ceuta XXI Comercializadora de Referencia, S.A.U. ⁽²⁾ | 2.3.1 | Acquisition | 18 February 2020 | Supply | 100.00 | 96.37 | 100.00 | 96.29 |
| Empresa de Alumbrado Eléctrico de Ceuta Distribución, S.A.U. ⁽²⁾ | 2.3.1 | Acquisition | 18 February 2020 | Distribution | 100.00 | 96.37 | 100.00 | 96.29 |
| Hidromondego - Hidroeléctrica do Mondego, Lda. ⁽³⁾ | 2.3.1 | Winding up | 12 March 2020 | Electricity Production and Supply | - | - | 100.00 | 100.00 |
| ENDESA Soluciones, S.L. ⁽⁴⁾ | 2.3.1, 2.4 and 10.1 | Sale | 11 May 2020 | Supply of Energy Products and Services | 20.00 | 20.00 | 100.00 | 100.00 |
| Parque Eólico Tico, S.L.U. ⁽⁵⁾ | 2.3.1 and 5 | Acquisition | 7 July 2020 | Wind | 100.00 | 100.00 | - | - |
| Tico Solar 1, S.L.U. ⁽⁵⁾ | 2.3.1 and 5 | Acquisition | 7 July 2020 | Photovoltaic | 100.00 | 100.00 | - | - |
| Tico Solar 2, S.L.U. ⁽⁵⁾ | 2.3.1 and 5 | Acquisition | 7 July 2020 | Photovoltaic | 100.00 | 100.00 | - | - |
| Centrales Nucleares Almaraz-Trillo, A.I.E. ⁽⁶⁾ | 2.5.1 | Acquisition | 29 July 2020 | Nuclear Power Plant Management | 24.18 | 24.18 | 24.26 | 23.92 |
| Parque Eólico Farlán, S.L.U. ⁽⁷⁾ | 2.3.1 | Merger | 5 August 2020 | Wind | - | - | 100.00 | 100.00 |
| ENDESA X Servicios, S.L.U. ⁽⁸⁾ | 2.3.1 | Incorporation | 1 September 2020 | Supply of Energy Products and Services | 100.00 | 100.00 | - | - |
| Suggestion Power, Unipessoal, Lda. ⁽⁹⁾ | 2.3.1 and 5 | Acquisition | 14 September 2020 | Photovoltaic | 100.00 | 100.00 | - | - |
| Sistemas Energéticos Alcohujate, S.A.U. ⁽⁷⁾ | 2.3.1 | Merger | 22 September 2020 | Wind | - | - | 100.00 | 100.00 |
| Sistemas Energéticos Campoliva, S.A.U. ⁽⁷⁾ | 2.3.1 | Merger | 22 September 2020 | Wind | - | - | 100.00 | 100.00 |
| Sistemas Energéticos Sierra del Carazo, S.L.U. ⁽⁷⁾ | 2.3.1 | Merger | 22 September 2020 | Wind | - | - | 100.00 | 100.00 |
| ENDESA X, S.A.U. (in liquidation) ⁽¹⁰⁾ | 2.3.1 | Winding up | 10 November 2020 | Supply of Energy Products and Services | - | - | 100.00 | 100.00 |
| Trévago Renovables, S.L. ⁽¹¹⁾ | 2.4 and 10.1 | Incorporation | 18 November 2020 | Photovoltaic | 35.50 | 35.50 | - | - |
| Almussafes Servicios Energéticos, S.A.U. ⁽⁷⁾ | 2.3.1 | Merger | 18 November 2020 | Wind | - | - | 100.00 | 100.00 |
| International ENDESA B.V. (in liquidation) ⁽¹²⁾ | 2.3.1 | Winding up | 30 December 2020 | International financial transaction company | - | - | 100.00 | 100.00 |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

(2) Interest acquired by ENDESA Red, S.A.U. for an amount of less than Euros 1 million.

(3) The gross gain amounted to Euros 2 million.

(4) Holding sold by ENDESA Energía, S.A.U. for Euros 21 million, net of the cash available in the company sold (see Note 32.2 to the Consolidated Financial Statements for the year ended 31 December 2020 and Section 4.4. Cash Flows in this Consolidated Management Report). The gross loss on the divestment transaction was less than Euros 1 million. Subsequently, on 21 December 2020, ENDESA Energía, S.A.U. sold its stake in this company to ENDESA X Servicios, S.L.U.

(5) Companies acquired by ENEL Green Power España, S.L.U. (EGPE) for Euros 40 million the actual cash outflow being Euros 14 million in the year to 31 December 2020 (see Note 32.2 to the Consolidated Financial Statements for the year ended 31 December 2020 and Section 4.4. Cash Flows in this Consolidated Management Report).

(6) Shareholding acquired by ENDESA Generación, S.A.U. for a non-material amount.

(7) Companies acquired by ENEL Green Power España, S.L.U. (EGPE) by means of merger.

(8) Company incorporated by ENDESA, S.A. (99.525% stake) and ENDESA Red, S.A.U. (0.475% stake) through the partial spin-off of ENDESA Energía, S.A.U. and ENDESA Ingeniería, S.L.U., respectively. Subsequently, on 15 October 2020, ENDESA Red, S.A.U. sold its stake in the newly incorporated company to ENDESA, S.A.

(9) Company acquired by ENDESA Generación Portugal, S.A. for Euros 6 million, the effective cash outflow being Euros 3 million at 30 December 2020 (see Note 32.2 to the Consolidated Financial Statements for the year ended 31 December 2020 and Section 4.4. Cash Flows in this Consolidated Management Report).

(10) The figures for this company were not material.

(11) Company in which ENEL Green Power España, S.L.U. (EGPE) has a 35.50% stake, through Furatena Solar 1, S.L.U. (17.73%) and Seguidores Solares Planta 2, S.L.U. (17.77%).

(12) The gross loss amounted to Euros 8 million.

Corporate acquisitions in the renewables business.

On 7 July 2020, an agreement was signed, through ENEL Green España, S.L.U. (EGPE) for the acquisition of 100% stakes in Parque Eólico Tico, S.L.U., Tico Solar 1, S.L.U. and Tico Solar 2, S.L.U. Likewise, on 14 September 2020, ENDESA, through ENDESA Generación Portugal, S.A., formalised the acquisition of a 100% stake in Suggestion Power, Unipessoal, Lda.

The total price of these transactions was Euros 46 million, of which, at 31 December 2020, Euros 29 million were pending disbursement, subject to certain contractual stipulations being fulfilled (see Notes 2.3.1, 5 and 8 to the Consolidated Financial Statements for the year ended 31 December 2020 and Section 4.4. Cash Flows in this Consolidated Management Report).

The acquisition of these companies led to the recognition, under the heading “Intangible Assets” in the Consolidated Statement of Financial Position for 2020 of an amount of Euros 46 million corresponding almost entirely to the value of licences for the development of the wind farm and photovoltaic plant projects.

The companies acquired are currently applying for the permits and licences to carry out their projects, so construction of the renewable energy facilities has not yet started and no ordinary revenue has been generated since acquisition date.

These transactions are aimed at strengthening ENDESA's presence in the Iberian generation market by expanding the portfolio of renewable assets in its production mix (see Section 6.2. Strategic Lines of Action in this Consolidated Management Report).

2.6. Statistical appendix

Industrial Data

| Electricity Generation ⁽¹⁾ | 2020 | | 2019 | | % Var. |
|---|---------------|----------------|---------------|----------------|---------------|
| | GWh | Percentage (%) | GWh | Percentage (%) | |
| Mainland | 46,142 | 82.0 | 49,582 | 80.7 | (6.9) |
| Renewables | 13,415 | 23.8 | 10,090 | 16.4 | 33.0 |
| Hydroelectric | 7,681 | 13.6 | 5,861 | 9.5 | 31.1 |
| Wind ⁽²⁾ | 5,235 | 9.3 | 4,127 | 6.7 | 26.8 |
| Photovoltaic ⁽³⁾ | 498 | 0.9 | 101 | 0.2 | 393.1 |
| Others | 1 | 0.0 | 1 | 0.0 | - |
| Nuclear | 25,839 | 45.9 | 26,279 | 42.8 | (1.7) |
| Coal | 1,211 | 2.2 | 5,647 | 9.2 | (78.6) |
| Combined Cycles (CCGTs) ⁽⁴⁾ | 5,677 | 10.1 | 7,566 | 12.3 | (25.0) |
| Non-mainland Territories ("TNP") | 10,127 | 18.0 | 11,820 | 19.3 | (14.3) |
| Coal | 222 | 0.4 | 1,996 | 3.3 | (88.9) |
| Fuel-gas | 4,217 | 7.5 | 5,703 | 9.3 | (26.1) |
| Combined Cycles (CCGTs) ⁽⁴⁾ | 5,688 | 10.1 | 4,121 | 6.7 | 38.0 |
| TOTAL | 56,269 | 100.0 | 61,402 | 100.0 | (8.4) |

(1) In power plant busbars.

(2) In 2020 it includes 112 GWh corresponding to Non-mainland Territories ("TNP") (123 GWh in 2019).

(3) In 2020, it includes 1 GWh corresponding to Non-mainland Territories ("TNP").

(4) Corresponding to natural gas.

| Gross Installed Capacity | 31 December 2020 | | 31 December 2019 | | % Var. |
|---|------------------|----------------|------------------|----------------|--------------|
| | MW | Percentage (%) | MW | Percentage (%) | |
| Mainland | 17,729 | 78.9 | 19,498 | 80.5 | (9.1) |
| Renewables ⁽¹⁾ | 7,825 | 34.8 | 7,452 | 30.8 | 5.0 |
| Hydroelectric | 4,793 | 21.3 | 4,792 | 19.8 | 0.0 |
| Wind ⁽²⁾ | 2,423 | 10.8 | 2,308 | 9.5 | 5.0 |
| Photovoltaic ⁽³⁾ | 609 | 2.7 | 352 | 1.5 | 73.0 |
| Nuclear | 3,453 | 15.4 | 3,443 | 14.2 | 0.3 |
| Coal | 2,627 | 11.7 | 4,780 | 19.7 | (45.0) |
| Combined Cycles (CCGTs) ⁽⁴⁾ | 3,824 | 17.0 | 3,823 | 15.8 | 0.0 |
| Non-mainland Territories ("TNP") | 4,736 | 21.1 | 4,733 | 19.5 | 0.1 |
| Coal | 260 | 1.2 | 260 | 1.1 | - |
| Fuel-gas | 2,619 | 11.7 | 2,619 | 10.8 | - |
| Combined Cycles (CCGTs) ⁽⁴⁾ | 1,857 | 8.3 | 1,854 | 7.7 | 0.2 |
| TOTAL | 22,465 | 100.0 | 24,231 | 100.0 | (7.3) |

(1) At 31 December 2020 and 2019 the additional capacity was 391 MW and 926 MW respectively.

(2) At 31 December 2020 and 2019 it includes 40 MW corresponding to Non-mainland Territories ("TNP").

(3) At 31 December 2020 it includes 22 MW corresponding to Non-mainland Territories ("TNP").

(4) Corresponding to natural gas.

| Net Installed Capacity | 31 December 2020 | | 31 December 2019 | | % Var. |
|---|------------------|----------------|------------------|----------------|--------------|
| | MW | Percentage (%) | MW | Percentage (%) | |
| Mainland | 17,388 | 80.3 | 19,066 | 81.6 | (8.8) |
| Renewables ⁽¹⁾ | 7,781 | 35.9 | 7,408 | 31.7 | 5.0 |
| Hydroelectric | 4,749 | 21.9 | 4,748 | 20.3 | 0.0 |
| Wind ⁽²⁾ | 2,423 | 11.2 | 2,308 | 9.9 | 5.0 |
| Photovoltaic ⁽³⁾ | 609 | 2.8 | 352 | 1.5 | 73.0 |
| Nuclear | 3,328 | 15.4 | 3,318 | 14.2 | 0.3 |
| Coal | 2,523 | 11.7 | 4,584 | 19.6 | (45.0) |
| Combined Cycles (CCGTs) ⁽⁴⁾ | 3,756 | 17.3 | 3,756 | 16.1 | - |
| Non-mainland Territories ("TNP") | 4,264 | 19.7 | 4,299 | 18.4 | (0.8) |
| Coal | 241 | 1.1 | 241 | 1.0 | - |
| Fuel-gas | 2,334 | 10.8 | 2,334 | 10.0 | - |
| Combined Cycles (CCGTs) ⁽⁴⁾ | 1,689 | 7.8 | 1,724 | 7.4 | (2.0) |
| TOTAL | 21,652 | 100.0 | 23,365 | 100.0 | (7.3) |

(1) At 31 December 2020 and 2019 the additional capacity was 391 MW and 926 MW respectively.

(2) At 31 December 2020 and 2019 it includes 40 MW corresponding to Non-mainland Territories ("TNP").

(3) At 31 December 2020 it includes 22 MW corresponding to Non-mainland Territories ("TNP").

(4) Corresponding to natural gas.

GWh

| Gross electricity sales ⁽¹⁾ | 2020 | 2019 | % Var. |
|---|---------------|---------------|---------------|
| Regulated Price | 13,258 | 13,335 | (0.6) |
| Deregulated market | 75,665 | 85,117 | (11.1) |
| Spanish | 65,471 | 74,367 | (12.0) |
| Outside Spain | 10,194 | 10,750 | (5.2) |
| TOTAL | 88,923 | 98,452 | (9.7) |

(1) In power plant busbars.

GWh

| Net electricity sales ⁽¹⁾ | 2020 | 2019 | % Var. |
|---|---------------|---------------|---------------|
| Regulated Price | 11,342 | 11,385 | (0.4) |
| Deregulated market | 69,430 | 78,056 | (11.1) |
| Spanish | 59,800 | 67,860 | (11.9) |
| Outside Spain | 9,630 | 10,196 | (5.6) |
| TOTAL | 80,772 | 89,441 | (9.7) |

(1) Sales to end customers.

Thousands

| Number of customers (Electricity) ^{(1) (2)} | 31 December 2020 | 31 December 2019 | % Var. |
|---|-------------------------|-------------------------|---------------|
| Regulated market | 4,730 | 4,807 | (1.6) |
| Mainland Spain | 4,020 | 4,074 | (1.3) |
| Non-mainland Territories ("TNP") | 710 | 733 | (3.1) |
| Deregulated market | 5,690 | 5,828 | (2.4) |
| Mainland Spain | 4,444 | 4,619 | (3.8) |
| Non-mainland Territories ("TNP") | 838 | 859 | (2.4) |
| Outside Spain | 408 | 350 | 16.6 |
| TOTAL | 10,420 | 10,635 | (2.0) |
| Income / Supply Points ⁽³⁾ | 1.1 | 1.3 | - |

(1) Supply points.

(2) Customers of the supply companies.

(3) Ratio of revenues from electricity sales to the number of electricity supply points (Thousands of euros / Supply Points).

Percentage (%)

| Trends in electricity demand ⁽¹⁾ | 2020 | 2019 |
|--|-------------|-------------|
| Mainland ⁽²⁾ | (5.1) | (1.7) |
| Non-mainland Territories ("TNP") ⁽³⁾ | (13.7) | 0.6 |

(1) Source: Red Eléctrica de España, S.A.U. (REE) (the national grid). In power plant busbars.

(2) Corrected labour and temperature effects: -5.1% in 2020 and -2.7% in 2019.

(3) Corrected labour and temperature effects: -13.3% in 2020 and +1.3% in 2019.

Percentage (%)

| Market share (electricity) ⁽¹⁾ | 31 December 2020 | 31 December 2019 |
|--|-------------------------|-------------------------|
| Mainland Generation ⁽²⁾ | 18.0 | 19.1 |
| Distribution | 42.9 | 44.1 |
| Supply | 32.4 | 34.1 |

(1) Source: In-house.

(2) Includes renewables.

GWh

| Gas sales | 2020 | 2019 | % Var. |
|-----------------------------|---------------|---------------|---------------|
| Deregulated market | 39,665 | 45,584 | (13.0) |
| Regulated market | 1,225 | 1,295 | (5.4) |
| International market | 17,440 | 19,968 | (12.7) |
| Wholesale business | 11,715 | 12,937 | (9.4) |
| TOTAL ⁽¹⁾ | 70,045 | 79,784 | (12.2) |

(1) Excluding own generation consumption.

Thousands

| Number of customers (gas) ⁽¹⁾ | 31 December 2020 | 31 December 2019 | % Var. |
|---|-------------------------|-------------------------|---------------|
| Regulated market | 233 | 230 | 1.3 |
| Mainland Spain | 209 | 206 | 1.5 |
| Non-mainland Territories ("TNP") | 24 | 24 | - |
| Deregulated market | 1,440 | 1,419 | 1.5 |
| Mainland Spain | 1,252 | 1,255 | (0.2) |
| Non-mainland Territories ("TNP") | 71 | 72 | (1.4) |
| Outside Spain | 117 | 92 | 27.2 |
| TOTAL | 1,673 | 1,649 | 1.5 |
| Income / Supply Points ⁽²⁾ | 1.1 | 1.5 | - |

(1) Supply points.

(2) Ratio of revenues from gas sales to the number of gas supply points (Thousands of euros / Supply Points).

Percentage (%)

| Trend in demand for gas ⁽¹⁾ | 2020 | 2019 |
|--|--------|-------|
| Domestic market | (9.6) | 14.0 |
| Domestic - conventional | (5.3) | (0.2) |
| Electricity sector | (20.7) | 80.0 |

(1) Source: Enagás, S.A.

Percentage (%)

| Market share (gas) ⁽¹⁾ | 31 December 2020 | 31 December 2019 |
|-----------------------------------|------------------|------------------|
| Deregulated market | 14.3 | 15.6 |

(1) Source: In-house.

| Distribution Business | 31 December 2020 | 31 December 2019 | % Var. |
|---|------------------|------------------|--------|
| Distribution and Transmission Networks (km.) | 315,365 | 316,320 | (0.3) |
| Digitised Customers ⁽¹⁾ | 12,389 | 12,178 | 1.7 |
| End Users ⁽²⁾ | 12,291 | 12,235 | 0.5 |
| Ratio of Digitised Customers ⁽³⁾ | 100.8 | 99.5 | - |
| Public and Private Electric Recharging Points (Units) | 7,072 | 5,000 | 41.4 |

(1) Smart meters activated (Thousands).

(2) Customers of distribution companies (Thousands).

(3) Number of Digitised Customers / End Users (%).

| Supply Quality Measures | 2020 | 2019 | % Var. |
|--|---------|---------|--------|
| Energy Distributed (GWh) ⁽¹⁾ | 124,658 | 126,454 | (1.4) |
| Energy Losses (%) ⁽²⁾ | 7.1 | 7.5 | - |
| Installed Capacity Equivalent Interruption Time (Average) – ICEIT (Minutes) ⁽³⁾ | 46.9 | 60.6 | (22.6) |
| System Average Interruption Duration Index – SAIDI (Minutes) ⁽²⁾ | 74.5 | 75.8 | (1.7) |
| System Average Interruption Frequency Index – SAIFI ⁽²⁾ | 1.4 | 1.4 | - |

(1) Energy supplied to customers, with or without a contract, auxiliary consumption of generators and outflows to other grids (transmission or distributors).

(2) Energy inputs to the distribution grid (or energy injected into the distribution grid) minus distributed energy divided by energy inputs to the distributor (or energy injected into the distribution grid).

(3) In accordance with the calculation procedure of Royal Decree 1995/2000, of 1 December 2000.

(4) Source: In-house on the basis of supplier busbars.

Financial Data.

Millions of euros

| | Consolidated Income Statement | | |
|---|-------------------------------|----------|--------|
| | 2020 | 2019 | % Var. |
| Sales | 16,644 | 19,258 | (13.6) |
| Procurements and Services | (11,573) | (14,252) | (18.8) |
| Contribution margin ⁽¹⁾ | 6,006 | 5,906 | 1.7 |
| EBITDA ⁽²⁾ | 3,783 | 3,841 | (1.5) |
| EBIT ⁽³⁾ | 1,886 | 388 | 386.1 |
| Net Financial Income/(Expense) ⁽⁴⁾ | (134) | (184) | (27.2) |
| Income before Tax | 1,788 | 230 | 677.4 |
| Net Income ⁽⁵⁾ | 1,394 | 171 | 715.2 |
| Net Ordinary Income ⁽⁶⁾ | 2,132 | 1,562 | 36.5 |

(1) Contribution margin = Revenue - Procurements and Services.

(2) EBITDA = Income - Procurements and Services + Self-constructed assets - Personnel expenses - Other fixed operating expenses.

(3) EBIT = EBITDA - Depreciation and amortisation, and impairment losses.

(4) Net finance income/(loss) = Finance income - Financial Expense + Net exchange differences.

(5) Net income: Profit of the Parent.

(6) Net Ordinary Income = Net Income of the Parent Company - Net Gains and Losses on Disposals of Non-Financial Assets (over Euros 10 million) - Net Losses due to Impairment of Non-Financial Assets (over Euros 10 million) - Initial Endowment Net of Personnel Expenses for Workforce Restructuring Plans relating to the Decarbonisation Plan and the Digitisation of Processes - Net Expenses corresponding to the Public Responsibility Plan for the COVID-19 Health Crisis.

Euros

| Valuation parameters | 2020 | 2019 | % Var. |
|--|----------------------|----------------------|--------|
| Ordinary Earnings per Share ⁽¹⁾ | 2.0136 | 1.475 | 36.5 |
| Earnings per Share ⁽²⁾ | 1.317 | 0.162 | 715.2 |
| Cash Flow per Share ⁽³⁾ | 2.787 | 3.004 | (7.2) |
| Book Value per Share ⁽⁴⁾ | 6.909 ⁽⁵⁾ | 7.261 ⁽⁶⁾ | (4.9) |

(1) Net Ordinary Earnings per Share = Net Income of the Parent / Number of shares at year-end.

(2) Net Result per Share = Net Result of the Parent Company / Number of Shares at year-end.

(3) Cash Flow per Share = Net cash flow from operating activities / Number of shares at year-end.

(4) Book value per share = Equity of the Parent / No. of shares at year-end.

(5) At 31 December 2020.

(6) At 31 December 2019.

Millions of euros

| | Reference ⁽¹⁾ | Consolidated Statement of Financial Position | | |
|-----------------------------------|--------------------------|--|------------------|--------|
| | | 31 December 2020 | 31 December 2019 | % Var. |
| Total assets | | 32,062 | 31,981 | 0.3 |
| Equity | 14 | 7,465 | 7,837 | (4.7) |
| Net Financial Debt ⁽²⁾ | 17 | 6,899 | 6,377 | 8.2 |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

(2) Net financial debt = Non-current financial debt + Current financial debt – Cash and cash equivalents – Derivatives recognised as financial assets.

| Profitability Indicators (%) | 2020 | 2019 |
|--|-------|-------|
| Return on equity ⁽¹⁾ | 28.42 | 18.68 |
| Return on assets ⁽²⁾ | 6.66 | 4.91 |
| Economic profitability ⁽³⁾ | 8.84 | 1.80 |
| Return on capital employed (ROCE) ⁽⁴⁾ | 4.61 | 0.95 |
| Return on Capital Invested (RCI) ⁽⁵⁾ | 10.39 | 2.14 |

(1) Return on Equity = Net Ordinary Income of the Parent / Average Equity of the Parent.

(2) Return on Assets = Ordinary Income of the Parent / Average Total Assets.

(3) Economic Profitability = Operating Income (EBIT) / Average Property, plant and equipment.

(4) Return on Capital Employed = Operating Result After Taxes / (Average Non-Current Assets + Average Current Assets).

(5) Return on Capital Invested (RCI) = Operating Income After Taxes / (Net Equity of the Parent Company + Net Financial Debt)

| Financial Indicators | 31 December 2020 | 31 December 2019 |
|---|------------------|------------------|
| Liquidity ratio ⁽¹⁾ | 0.73 | 0.72 |
| Solvency ratio ⁽²⁾ | 0.91 | 0.91 |
| Debt Ratio ⁽³⁾ (%) | 48.03 | 44.86 |
| Debt coverage ratio ⁽⁴⁾ | 1.82 | 1.66 |
| Net Financial Debt ⁽⁵⁾ / Fixed Assets ⁽⁶⁾ (%) | 29.64 | 27.46 |
| Net Financial Debt ⁽⁵⁾ / Funds from Operations ⁽⁷⁾ | 2.23 | 2.05 |
| | 2020 | 2019 |
| (Funds from Operations ⁽⁷⁾ + Interest Expense ⁽⁸⁾ / Interest Expense ⁽⁸⁾) | 21.32 | 23.91 |

(1) Liquidity = Current assets / Current liabilities.

(2) Solvency = (Equity + Non-current liabilities) / Non-current assets.

(3) Debt ratio = Net financial debt / (Equity + Net financial debt) (%).

(4) Debt coverage = Net financial debt / EBITDA.

(5) Net financial debt = Non-current financial liabilities + Current financial liabilities – Cash and cash equivalents – Financial derivatives recognised under financial assets.

(6) Fixed Assets = Property, Plant and Equipment + Investment Property + Intangible Assets + Goodwill.

(7) Funds from Operations = Cash Flows from Operating Activities + Changes in Working Capital - Work carried out by the Group for its Assets.

(8) Interest Expense = Interest Payments (see Section 4.4. Cash Flows in this Consolidated Management Report).

3. Regulatory Framework.

Information on the regulatory framework is set out in Note 4 to the Consolidated Financial Statements for the year ended 31 December 2020.

The main changes in the Spanish regulatory framework either approved in 2020 or with a material impact on the Consolidated Financial Statements for that year are described below.

Electricity tariff for 2020.

Order TEC/1258/2019 of 20 December establishing access tariffs for 2020 was published in the Official State Gazette on 28 December 2019. In accordance with said Order, the access tariffs remain unchanged until the entry into force of the tariffs set by the National Commission on Markets and Competition (CNMC).

On 14 October 2020, Order TED/952/2020 of 5 October was published in the Official State Gazette, whereby the surplus of the Electricity System is applied to cover temporary imbalances and mismatches between income and costs for the years 2019 and 2020. This Order establishes that the National Commission of Markets and Competition (CNMC), as the body in charge of settlements of the System, will transfer from the specific electricity surplus account to the settlement account the amount needed to cover such temporary imbalances between Income and costs of the Electricity System for 2019 as may occur, in accordance with the best forecast available at the time of preparing the closing settlement proposal and with the aim of closing the year in balance. Also, if there are any funds remaining after the approval of the settlement at the close of 2019, the CNMC will use them until they are exhausted in the successive provisional settlements for 2020 as

well as, if still available, the closing settlement itself, in order to cover any deviations or imbalances that may occur. By virtue of this, in the definitive settlement for 2019, Euros 528 million were applied to compensate the deficit for an equivalent amount that occurred in the final settlement of 2019. The remaining balance of the accumulated surplus, amounting to Euros 506 million, has been included in the settlements of regulated activities for the year 2020.

Electricity tariff for 2021.

Ministerial Order TEC/1271/2020 of 22 December establishing access tariffs for 2021 was published in the Official State Gazette on 29 December 2020. Electricity access tariffs remain unchanged until the tariffs to be set by the CNMC come into force.

Natural gas tariff for 2020.

On 28 December 2019 Order TEC/1259/2019 of 20 December was published in the Official State Gazette ("BOE"), establishing the gas access tariffs for 2020, which were maintained unchanged, and on 30 December 2019 the Resolution of 23 December of the General Directorate of Energy Policy and Mines was published, with the "Last Resort" Rates ("TUR") for natural gas to be applied from 1 January 2020, resulting in an average reduction of between 3.3% and 4.2% depending on whether "TUR1" or "TUR2" is concerned, respectively, due to the reduction in the cost of the raw material.

On 30 June 2020, the Resolution of 23 June 2020, of the General Directorate for Energy Policy and Mines was published in the Official State Gazette ("BOE"), publishing the new last resort tariff ("TUR") for natural gas that came into effect on 1 July 2020, resulting in an average reduction of 4.5% and 6.0% depending on whether it "TUR1" or "TUR2" is concerned, respectively, due to the reduction in the cost of the raw material.

On 29 September 2020 the "BOE" published Order TED/902/2020 of 25 September, modifying the methodology for calculating the rate of last resort for natural gas. This Order adapts gas tolls and fees to the new toll structure of the Gas System of Circular 6/2020 of 22 July, being applicable from 1 October 2021, with the exception of some access tolls to regasification facilities, application of which began on 1 October 2020.

On 30 September 2020, the Resolution of 29 September 2020, of the General Directorate for Energy Policy and Mines was published in the Official State Gazette ("BOE"), publishing the new last resort tariff for natural gas that came into effect on 1 October 2020, resulting in an average reduction of 2.4% and 5.5% depending on whether it is the Last Resort Tariff 1 ("TUR1") or the Last Resort Tariff 2 ("TUR2"), respectively, due to the reduction in the cost of the raw material.

Natural gas tariff for 2021.

CNMC Circular 6/2020 of 22 July approved the methodology for the calculation of transmission tolls, local networks and natural gas regasification and among other aspects established that the CNMC must set the values of the access tolls to the regasification facilities and, where appropriate, the billing terms of the term of conduction of the transport and distribution tolls, applicable from 1 October 2020.

On 29 December 2020 the "BOE" published the Resolution of 23 June 2020 of the General Directorate for Energy Policy and Mines, establishing the Last Resort Tariff ("TUR") for natural gas to be applied from 1 January 2021, resulting in an average increase of 4.6% or 6.3% depending on whether "TUR1" or "TUR2" is concerned, due to the increase in the cost of the raw material.

Energy Efficiency.

Order TED/287/2020 of 23 March establishes a contribution by ENDESA to the National Fund for Energy Efficiency of Euros 27.5 million in respect of its 2020 obligations.

In December 2020, the Ministry for the Ecological Transition (now the Ministry for the Ecological Transition and the Demographic Challenge) began processing a proposed Order establishing the contribution to the National Fund for Energy Efficiency for 2021, ENDESA's proposed share in which is Euros 26.6 million.

“Bono Social” discount rate.

On 13 August 2020, Order TEC/788/2020 of 24 July was published in the Official State Gazette (“BOE”), establishing the distribution of the financing of the 2020 Social Bonus, ENDESA’s percentage being 35.57%.

Strategic Framework for Energy and Climate.

On 11 January 2021 the Resolution of 30 December 2020 of the General Directorate of Environmental Quality and Assessment was published in the Official State Gazette (“BOE”), formulating the strategic environmental statement of the National Integrated Energy and Climate Plan (“PNIEC”) 2021-2030. This must be approved by the European Commission through a structured process of dialogue culminating in its definitive approval (see Notes 2.2.2 and 39 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2020).

Likewise, the Government has sent the Draft Law on Climate Change and Energy Transition to parliament. It includes the following aspects, among others:

- It would set two time paths: by 2030, objectives of reducing GHG emissions by at least 20% compared with 1990, generating 70% of electricity from renewable sources, and improving energy efficiency by at least 35% compared with the trend scenario; and by 2050, achieving climate-neutrality and a 100% renewable electricity system.
- Renewable energy promotion measures through a remuneration framework based on the long-term recognition of a fixed energy price.
- The new hydro concessions will be aimed at supporting the integration of non-manageable renewables.
- Introduction of new parties in the Electricity Sector as owners of storage facilities or independent aggregators.
- Limits are established in the exploitation of hydrocarbons, restricting fossil fuel subsidies and reviewing their taxation.
- Promotion of energy efficiency measures and use of renewables in the field of building.
- Boosting of electric mobility with the aim of having a fleet of vehicles without direct emissions of carbon dioxide (CO₂) in 2050 and that since 2040 the new passenger cars/light commercial vehicles have no direct emissions. Likewise, the establishment of low-emission areas in municipalities with more than 50,000 inhabitants and island territories and the obligation to develop recharging infrastructures at petrol stations are pursued no later than 2023.
- Mobilisation of resources for the fight against climate change: at least Euros 450 million of the proceeds from auctions of CO₂ rights will be used annually to cover costs of the Electric System.

Lastly, on 22 September 2020 the National Plan for Adaptation to Climate Change (“PNACC”) for 2021-2030 was approved by the Council of Ministers. It constitutes the basic planning framework for promoting coordinated action to cope with the effects of climate change.

The National Plan for Adaptation to Climate Change (“PNACC”) defines various objectives, criteria, areas of work and lines of action, with attainment indicators, with the common objective of avoiding or reducing vulnerability and potential impacts on social, economic and environmental systems facing climate change, as well as improving their ability to recover from climate change events and re-establish themselves. In the field of energy, the aim is to guarantee an energy system that is resilient to the effects of climate change in a scenario of rapid decarbonisation, through lines of action focused on:

- Improving knowledge about the impacts of climate change on the potential for renewable energy production.
- The functionality and resilience of energy generation, distribution and storage.
- The effect on demand, to avoid or limit peaks in demand.
- The identification of risks deriving from extreme events in critical infrastructures to avoid their loss of functionality.

Order revising the remuneration parameters for facilities under specific remuneration regimes.

Order TED/171/2020 of 24 February, published in the Official State Gazette on 28 February 2020, updates the remuneration parameters for standard facilities applicable to certain facilities producing electricity from renewable energy sources, cogeneration and waste, for application to the regulatory period starting on 1 January 2020. This Order updates the values that will be applicable in the second regulatory period (2020-2025) for the various parameters that determine the remuneration of these facilities, in accordance with the methodology established in the relevant general regulations, and without prejudice to the periodic update mechanisms established therein. The values of the different parameters are applicable from 1 January 2020, in accordance with the provisions of Royal Decree Law 17/2019, of 22 November. The Order also approves the market price provided for each year of the 2020-2022 semi-period.

Draft of the Seventh General Radioactive Waste Plan.

The Ministry for the Ecological Transition and the Demographic Challenge has started the ordinary environmental strategic evaluation procedure of the Seventh General Radioactive Waste Plan (“PGRR”). The procedure includes the environmental assessment, the public information process to receive input from civil society and the mandatory consultations with the Nuclear Safety Council and the Autonomous Regions. Subsequently, the Ministry for the Ecological Transition and the Demographic Challenge will carry out a technical analysis of the complete file to formulate the Strategic Environmental Declaration of the General Radioactive Waste Plan, a step prior to its approval by the Council of Ministers. Subsequently, it must be reported to Parliament and will also be forwarded to the European Commission, in compliance with the EU directive on radioactive waste management.

Declaration of the State of alarm as a consequence of the advance of COVID-19 and regulatory measures approved.

On 11 March 2020, the World Health Organisation (WHO) raised the level of the public health emergency caused by COVID-19 to that of a pandemic. The rapid evolution of events, at the national and international levels, required the adoption of immediate and effective measures to face this situation. The extraordinary circumstances prevailing constitute without a doubt an unprecedented health crisis of enormous magnitude, due both to the large number of citizens affected and the risk to their rights. As a consequence, on 14 March 2020, Royal Decree 463/2020 of 14 March was published in the “BOE”, declaring a State of alarm for the management of the COVID-19 health crisis.

At the same time, and in order to counteract the economic and social impact of this exceptional situation, the Spanish government approved a series of legislative provisions encompassing various measures on all fronts to face this impact. Specifically, and among others, 18 March 2020 saw the publication of Royal Decree Law 8/2020 of 17 March on extraordinary urgent measures to face the economic and social impact of COVID-19; on 1 April 2020 Royal Decree-Law 11/2020 of 31 March was published, adopting urgent complementary measures in the social and economic fields to deal with COVID-19; 8 July 2020 saw the publication of Royal Decree Law 26/2020 of 7 July on economic recovery measures to address the impact of COVID-19 in the areas of transport and housing, and lastly on 30 September 2020 Royal Decree Law 30/2020 of 29 September on social measures in defence of employment was published.

With regard to the Electricity Sector, the most significant urgent measures adopted were the following:

- “Bono Social” discount rate: The validity of the ‘Bono Social’ (special reduced rate for electricity) was extended until 30 September 2020 for beneficiaries for whom the 2-year period of validity established in Royal Decree 897/2017 of 6 October expired before that date. At the same time, the right to the “Bono Social” discount rate was extended to customers with supply points in their name, or any member of their family unit, with the status of self-employed or sole proprietor and who were entitled to benefit because they had had to cease their activity or had seen their billings significantly reduced, and met certain income levels in the immediately preceding year, this right being limited to the period for which these circumstances persisted, with a maximum of 6 months. Likewise, as a result of Royal Decree Law 30/2020 of 29 September, the beneficiary group was expanded to include those who could prove, upon the entry into force of this law, that the holder of the supply point or a member of the family unit was unemployed, furloughed or had had his or her working hours reduced due to care, in the case of entrepreneurs, or other similar circumstances that involved a substantial loss of income in the month prior to the filing of the application for the Social Bonus, as a result of which the total household income did not reach certain thresholds. This right will expire when the circumstances for its granting cease, and, in any case, on 30 June 2021, without prejudice to the possibility of benefiting from the status of beneficiary of the Social Bonus in accordance with the general regulations.
- Guarantee of supply: Prohibition of suspension of the supply of electricity, water and natural gas during the month following the entry into force of Royal Decree Law 8/2020 of 17 March, to consumers who had the status of vulnerable or severely vulnerable consumers or consumers at risk of social exclusion according to the criteria of Royal Decree 897/2017 of 6 October. This term, initially valid for one month and extended during the State of alarm, was extended by Royal Decree Law 26/2020 of 7 July until 30 September 2020, establishing that the supply of electricity, water, natural gas and other petroleum derivatives to natural persons in their habitual residence, could not be cut off except for reasons of safety of supply, people and facilities. Finally, by means of Royal Decree Law 37/2020 of 22 December on urgent measures to face situations of social and economic vulnerability in the field of housing and in the field of transport, during the State of alarm prohibited the suspension of supply to consumers who were vulnerable, severely vulnerable or at risk of social exclusion, and this prohibition was extended to consumers who, without being able to prove ownership of the supply contract, comply with the requirements established in Royal Decree 897/2017 of 6 October.
- Flexibility measures for electricity supply contracts of self-employed and businesses: Possibility, during the State of alarm, for consumers to suspend or modify their contracts to contract another alternative offer with their supplier to adapt to new consumption patterns, without any charge or penalty, as well as to change power or access toll. A period of 3 months was set, after the end of the State of alarm, for the reactivation of the contract or modification of the power, at no cost, except in certain situations. Future General State Budget Laws approved after the entry into force of Royal Decree Law 11/2020 of 31 March will include the corresponding items to compensate the Electricity Sector for the reduction in income that these measures entail. Similar measures are provided for the Natural Gas Sector.
- Suspension of supply invoices: Possibility during the State of alarm for self-employed persons and SMEs with supply points in their name to ask their supplier, or distributor as the case may be, by remote (non-physical) means, to suspend payment of bills corresponding to billing periods that contain days covered by the State of alarm. In this case, the supplier will be exempt from paying transmission and distribution tolls to the distributor until such time as the customer pays the bill in full. The supplier will also be exempt from paying VAT, the special tax on electricity, and, where applicable, the special tax on hydrocarbons for electricity generation until the customer pays the full invoice or until 6 months have elapsed from the end of the State of alarm. However, the option to delay the payment of these taxes has not been exercised in any case by ENDESA. Once the State of alarm is over, the debt will be regularised in equal parts in the invoices of the billing periods that make up the following 6 months. Likewise, suppliers who see their income reduced, or distributors whose toll income is reduced, may request the guarantees defined in Royal Decree Law 8/2020 of 17 March or any other line created for this purpose.
- Rights of access: The term was extended for access rights that expired on 31 March 2020 and the new term was set at two months after the end of the State of alarm or its extensions.

In this context, likewise, through Order SND/260/2020 of 19 March, the activation of the interruptibility demand management service was suspended for economic reasons while the state of alarm was in force.

Finally, it should be noted that after the end last June of the initial State of alarm declared through Royal Decree 463/2020 of 14 March, the subsequent negative evolution of the pandemic led the Government to declare a new State of alarm through Royal Decree 926/2020 of 25 October declaring the State of alarm to contain the spread of COVID-19 infections.

Plan for the Recovery, Transformation and Resilience of the Economy.

On 7 October 2020 the Government presented the Plan for the Recovery, Transformation and Resilience of the Economy to respond to the challenges of the next decade, focusing on four necessary transformations to modernise and boost Spain's economy: the ecological transition, the digital transformation, gender equality and social and territorial cohesion.

The Recovery Plan will involve a significant volume of public and private investment in the coming years, which will be financed with funds from the European Union Recovery Plan ("Next Generation EU"), which will allow Spain to obtain up to Euros 140,000 million, of which Euros 72,000 million will be non-refundable grants and the rest loans. The Government, in order to speed up the timetable for the execution of this Plan, plans to incorporate Euros 27,000 million in the next General State Budget.

The Plan includes ten key policies that are considered driving forces because they have a direct impact on the productive sectors with the greatest capacity to transform the economic and social fabric, namely:

1. Urban and rural agenda, fight against depopulation and development of agriculture.
2. Resilient infrastructures and ecosystems.
3. Fair and inclusive energy transition.
4. An Administration for the twenty-first century.
5. Modernisation and digitisation of the industrial fabric and of SMEs, recovery of tourism and promotion of an entrepreneurial nation.
6. Pact for science and innovation. Strengthening the capacities of the National Health System.
7. Education and knowledge, continuous training and capacity building.
8. New economics of care and employment policies.
9. Boosting culture and sports.
10. Modernisation of the tax system for inclusive and sustainable growth.

Investment in ecological transition will represent more than 37% of the total Plan and digitisation 33%.

In the field of energy, the foregoing policies include actions such as the massive deployment of renewable generation, smart grids and electrical infrastructures; the development of a renewable hydrogen roadmap and its sectoral integration; the development of a Just Transition Strategy to guarantee employment in areas affected by the energy transition; and the promotion of sustainable mobility and the refurbishment of buildings as well as the promotion of energy efficiency measures.

Finally, in order to ensure the proper execution of the funds, the Plan provides a Governance model for the selection, evaluation and coordination of the various projects. A specific collaboration will be implemented with the Autonomous Regions and Cities and an Interministerial Commission and a Monitoring Unit will be created. The Government also intends to eliminate the obstacles that hinder the execution of projects, so that the bureaucracy is not a brake on the development of the Plan.

Under the framework of the Recovery, Transformation and Resilience Plan, various consultations have been launched from different Ministries to collect information on expressions of interest from the various agents

regarding possible projects in certain areas of action of the Plan, with a view to preparing the Plan to present to the European authorities.

Likewise, on 31 December 2020, Royal Decree Law 36/2020 of 30 December was published, approving urgent measures for the modernisation of the Public Administration and for the execution of the Recovery, Transformation and Resilience Plan, including a series of measures to facilitate the management of the Next Generation EU funds, such as streamlining procedures, improving public-private collaboration, through introduction of such new concepts as the Strategic Projects for Economic Recovery and Transformation (“PERTE”), as a key element for the execution of the various driving projects of the Plan; and the development of specific governance mechanisms.

European Commission Decision C(2020)3401 on electricity production activity in Spanish Non-mainland Territories (“TNP”).

On 28 May 2020 the European Commission approved the regulatory scheme established in Royal Decree 738/2015 of 31 July relating to electricity production in Non-mainland Territories (“TNP”), concluding that it meets the criteria of the Services of General Economic Interest and that it is compatible with the internal market. The scheme is initially approved until 31 December 2025 in the case of the Balearic Islands, and until 31 December 2029 in the case of the Canary Islands, Ceuta and Melilla, and Spain may ask before those dates for the measures to be kept in place.

Order for the revision of fuel prices in the Non-mainland Territories (“TNP”).

Order TEC/1260/2019, of 26 December, revises the technical and economic parameters for the remuneration of generation facilities in the Electricity Systems of the Non-mainland Territories (“TNP”) for the second regulatory period (2020-2025). In relation to fuel prices, the aforementioned Order established that within three months, product and logistics prices will be reviewed by Ministerial Order, with effect from 1 January 2020. Order TEC/776/2020 of 4 August revising these references was published in the Official State Gazette on 7 August 2020.

Definitive costs of the generation facilities of the Non-mainland Territories (“TNP”) of 2015.

1 October 2020 saw the publication of the Resolution of the General Directorate of Energy Policy and Mines of 19 September approving the definitive amount of the generation costs of the production activity in the Non-mainland Territories (“TNP”) for the year 2015 corresponding to the facilities owned by ENDESA.

Royal Decree-Law 23/2020, of 23 June, which approves measures in the field of energy and in other areas for economic recovery.

On 24 June 2020, Royal Decree-Law 23/2020, of 23 June, was published, approving measures in the field of energy and in other areas for economic reactivation. The most relevant aspects of this Royal Decree-Law are the following:

- Improvement of the regulation of access permits and connection to the grid of renewable energies, to avoid speculation, considering specific mechanisms to grant access capacity in network nodes affected by just transition processes.
- New auction model for future renewable energy developments, based on the long-term recognition of a fixed price for energy, distinguishing between different technologies. Small projects and demonstrators may be exempted from auctions.
- Introduction of new figures: storage owners, independent aggregators and renewable energy communities.
- Simplification of procedures for renewable installations and their electrical infrastructure, rapid recharge infrastructures (250 kW) and demonstrations or R&D and innovation projects.
- The accumulated surplus of the Electric System may be used to cover imbalances in 2019 and 2020.
- Increase of the maximum limit of remunerative investment in distribution in 2020-2022, going from 0.13% to 0.14% of Gross Domestic Product (GDP).

- The purpose of the Institute for the Just Transition is defined, which will seek to reduce the impacts on employment and the depopulation of areas affected by the transition process.

Royal Decree 960/2020 of 3 November regulating the economic remuneration regime for renewable energy for electrical energy production facilities.

On 24 June 2020, Royal Decree Law 23/2020 of 23 June was published, approving measures in the field of energy and in other areas for economic recovery. This is dealt with later in this document. Among other things, this Royal Decree Law introduces a new model for auctions of future renewable energy developments, based on the long-term recognition of a fixed price for energy, distinguishing among different technologies.

Subsequently, on 4 November 2020, Royal Decree 960/2020 of 3 November was published in the Official State Gazette (“BOE”), regulating the development of the new remuneration scheme for future developments of renewable energies, calling it the Renewable Energy Economic Regime (REER). This economic regime will be granted by means of auctions regulated by Ministerial Order, which will set a maximum volume of energy or power to be auctioned and may distinguish among different technologies according to their technical characteristics, size, manageability, location or technological maturity. The product to be auctioned will be the installed power, electrical energy or a combination of both, and the price per unit of electrical energy will be offered in euros per MWh.

Regarding the remuneration of energy, the price to be received for each unit sold in the daily or intraday market will be the bid price (for adjustment and balance services, it will be the price of the respective markets). Alternatively, incentives for participation or exposure in the market may be established, through a market adjustment percentage to be applied to the daily market price, the correction percentage of which on the price set in the auction will be defined in each call.

All the facilities of this Scheme will participate in the market and the Iberian Energy Market Operator - Spanish Division (“OMIE”) will make a settlement for the differences between the prices of the daily or intraday market and the award price of the facilities.

An auction calendar will be established by Ministerial Order for a minimum period of 5 years, updateable at least annually, and which may include deadlines, frequency, capacity and technologies. This calendar was published on 5 December 2020 by means of Order TED/1161/2020 of 4 December regulating the first auction mechanism for the granting of the economic regime of renewable energies and establishing the indicative calendar for the period 2020-2025. This calendar will be updated annually and will be aimed at achieving the renewable production objectives established in the National Integrated Energy and Climate Plan (“PNIEC”). The auctions will be called by means of a Resolution of the Secretary of State for Energy.

Renewables auctions in the Iberian Peninsula.

On 5 August 2020, Orders TED/765/2020 and TED/766/2020 of 3 August, were published in the Official State Gazette (“BOE”), establishing the regulatory bases of auctions for investment aid for facilities for the production of thermal energy and electricity, respectively, from renewable sources, all of which may be co-financed with European Union funds. The aid will be granted by means of non-refundable grants through competitive bidding procedures applicable to the entire national territory, the applicable geographical scope being specified in each call for tenders. The actions must be completely finished before 30 June 2023, unless a more restrictive period is expressly established in the calls. The Institute for Diversification and Saving of Energy (“IDAE”) has already issued several calls for tenders for aid for investment in facilities through competitive bidding procedures for various regions of the country.

In this regard, on 12 December the Resolution of 10 December 2020, of the Secretariat of State for Energy was published in the Official State Gazette (“BOE”), calling the first auction for the granting of the economic regime for renewable energies under the aforementioned Order TED/1161/2020, envisaging a minimum of 3,000 MW, of which at least 1,000 MW will be from wind energy and 1,000 MW from photovoltaic energy. The schedule set for receiving offers ended on 26 January 2021. On 27 January 2021 the Ministry for the Ecological Transition and the Demographic Challenge published the Resolution that resolves said auction and approves the list of successful bidders, among which ENDESA, through ENEL Green Power España, S.L.U. (EGPE), has been awarded 50 MW of capacity at an award price of Euros 28.90 per MWh for a photovoltaic technology facility.

Auctions for renewables in the non-mainland electricity systems.

During 2020, the Institute for the Diversification and Saving of Energy (IDAE) approved three Resolutions calling auctions of investment aid for renewable energy facilities co-financed with European Regional Development Funds (ERDF) in the Non-mainland Territories (“TNP”), as shown below:

| Date | Facility | Location | Amount of aid (Millions of Euros) | Deadline for Submission of Applications | Deadline for Completion of Actions |
|------------------|--------------|------------------|-----------------------------------|---|------------------------------------|
| 24 June 2020 | Photovoltaic | Canary Islands | 20 | 5 October 2020 (Completed) | 30 December 2022 |
| 4 December 2020 | Wind | Canary Islands | 54 | 15 March 2021 | 31 December 2022 |
| 17 December 2020 | Photovoltaic | Balearic Islands | 21 | 24 March 2021 | 20 March 2023 |

Law 5/2020, of 29 April, of the “Generalitat” of Catalonia.

On 2 June 2020, Law 5/2020, of 29 April, of the “Generalitat” (regional government) of Catalonia, on fiscal, financial, administrative and public sector measures and creation, has been published in the Official State Gazette (“BOE”) tax on facilities that affect the environment.

Among other aspects, this Law includes the creation and regulation of a tax on facilities that affect the environment in the area of the Autonomous Region of Catalonia. Specifically, this new tax is imposed on the production, storage, transformation and transport of electrical energy in Catalonia. In the field of generation, energy production is taxed at a general rate of Euros 5 per MWh, which will be Euros 1 per MWh for combined cycles, excluding in any case hydroelectric generation and generation from renewable sources, as well as from biomass, biogas, high-efficiency cogeneration or slurry. In the field of transport, a quota is established based on the voltage level of the facilities, with those with a voltage lower than 30 kV and evacuation facilities of renewable production being exempt.

Electro-intensive consumers.

During 2018, and as a result of Royal Decree-Law 20/2018, of 7 December, on urgent measures to boost economic competitiveness in the sector of industry and commerce in Spain, the Government announced the preparation of a Statute for electro-intensive industrial consumers, that collect their peculiarities. In 2019, the processing of a draft Royal Decree was initiated in this regard, which regulates the figure of the electro-intensive consumer, the potential compensation mechanisms that they could avail themselves of, as well as their obligations. Likewise, said project regulates the possibility of granting guarantees to the subscription by electro-intensive consumers of long-term contracts with electricity suppliers, especially from renewable installations that do not receive specific remuneration, and which was completed with a Draft Law that regulated a fund to cover the risks of these contracts.

In this sense, on 27 June 2020, Royal Decree-Law 24/2020, of 26 June, on social measures to reactivate employment and protect self-employment and competitiveness of the industrial sector, in which the Spanish Reserve Fund for Guarantees of Electro-intensive Entities (“FERGEI”) is created, for the coverage by the State of the risks derived from medium and long-term purchase and sale operations of subscribed electricity supply by consumers who have the status of electro-intensive consumers. This Fund will be endowed with Euros 200 million per year, to cover a maximum of Euros 600 million of investment in 3 years.

Also, on 17 December 2020 the “BOE” published Royal Decree 1106/2020 of 15 December which regulated the statute of electro-intensive consumers. Specifically, this Royal Decree regulates electro-intensive consumers, their obligations and the compensation mechanisms available to them, among which:

- A compensation mechanism of up to 85% of the costs attributable to electricity charges for financing the costs of renewable energy, high-efficiency cogeneration and the extra cost of Non-mainland Territories (“TNP”).
- A mechanism for hedging risks deriving from the acquisition of electricity in the medium and long term to promote the long-term contracting of electricity by these consumers, through the aforementioned Spanish Reserve Fund for Guarantees of Electro-intensive Entities (“FERGEI”).

Methodology for calculating the charges of the Electric and Gas Systems.

On 7 July 2020, the Ministry for the Ecological Transition and the Demographic Challenge began the hearing of two Royal Decree projects with the methodologies for calculating the charges of the Electric and Gas Systems, which will complement the methodologies for calculating the Access tolls to be approved by the National Commission of Markets and Competition (CNMC). At the date of approval of this Consolidated Management Report, the methodology for the Electricity System is still pending approval, while that for the Gas System was approved by Royal Decree 1184/2020 of 29 December.

Royal Decree 647/2020, of 7 July, on network codes.

On 8 July 2020, Royal Decree 647/2020, of 7 July, which regulates aspects necessary for the implementation of the connection network codes of certain electrical installations.

This Royal Decree includes certain elements associated with the adaptation of Spanish regulations to the European network codes set forth in Regulations (EU) 2016/631, 2016/1388 and 2016/1447 of the European Commission, of 14 April, 17 August and 26 August, respectively, which establish the framework of minimum technical requirements for design and operation that generation facilities, demand and high-voltage systems connected to direct current must comply with for connection to the electricity grid. It also includes other amendments to other provisions, such as Royal Decree 413/2014 of 6 June regulating the production of electricity from renewable energy sources, cogeneration and waste and Royal Decree 738/2015 of 31 July regulating generation in the Non-mainland Territories (“TNP”) electrical systems.

Orders executing certain rulings of the Supreme Court in relation to the remuneration of electricity distribution.

On 21 September 2020 Orders TED/865/2020 and TED/866/2020 of 15 September were published in the Official State Gazette (“BOE”), executing various rulings of the Supreme Court in relation to the remuneration of electricity distribution, establishing new values for certain parameters.

Regulations on permits for access and connection to electricity transmission and distribution networks.

In accordance with the new responsibilities entrusted to the CNMC by Royal Decree Law 1/2019 of 11 January, the specific regulations on permits for access and connection must be developed by both the Government, through Royal Decree, and the CNMC, through a Circular, in accordance with their respective competences.

On 23 November 2019, Royal Decree Law 17/2019 of 22 November was published in the Official State Gazette (“BOE”), adopting urgent measures for the necessary adaptation of remuneration parameters affecting the electricity system (financial remuneration rate) and responding to the rapid process of cessation of activity of thermal power plants, in order to boost the industrial reactivation of the areas affected. As regards the process of closures of coal-fired or nuclear power plants, in granting access and connection permits account may be taken of environmental and social criteria in addition to the current technical and economic requirements. Similarly, the granting of water concessions may involve the assessment of economic, social and environmental criteria, which do not figure in the current regulations.

On 30 December 2020 Royal Decree 1183/2020 of 29 December on access and connection to the electricity transmission and distribution networks was published in the Official State Gazette (“BOE”). This Royal Decree regulates the criteria and procedure for granting access and connection permits for both producers and consumers. The general criterion will be “first come first served”. However, in order to boost the penetration of energy from renewable sources, exceptions to this general criterion are established in cases of hybridisation of existing generation facilities and of competitive bidding processes for access capacity in new nodes of the transmission network or at those nodes where power capacity is deregulated or increases substantially.

The possibility is established that, through Ministerial Order, calls for tenders for capacity may be issued only applicable in new nodes that are introduced through a new planning process, or those in which a certain volume of access capacity is released. Participants must be operators of renewable generation facilities, which may also include storage.

Aspects relating to storage and hybridisation of facilities are also regulated, as well as the guarantee regime.

Finally, exemptions are introduced for permits for access and connection to self-consumption facilities, and the single node interlocutor, until now in charge of processing permits for access and connection when there were connection requests from multiple actors for the same node, is eliminated, so that from now on each promoter will talk directly to the network manager.

Also, on 22 January 2021, CNMC Circular 1/2021 of 20 January was published in the “BOE”, establishing the methodology and conditions of electricity production facilities’ access and connection to the transmission and distribution networks. This Circular regulates the procedures, deadlines and criteria for the evaluation of the access capacity and the granting of permits.

Royal Decree Law 34/2020 of 17 November on urgent measures to support business solvency and the energy sector, and in tax matters.

On 18 November the “BOE” published Royal Decree Law 34/2020 of 17 November on urgent measures to support business solvency and the energy sector, and in tax matters, by means of which the transfers of the income from the auctions of GHG emission rights to the Electricity Sector were extended for 2020, depending on the amount actually collected, and up to a maximum of Euros 1,000 million. For the year 2021, Law 11/2020 of 30 December on General State Budgets provides an equivalent measure.

Draft Bill of Law creating the National Fund for the Sustainability of the Electricity System.

On 16 December 2020 the Ministry for the Ecological Transition and the Demographic Challenge initiated a process of public consultation on a Draft Law creating the National Fund for the Sustainability of the Electricity System, whose purpose is to finance, total or partially, the costs associated with the specific remuneration scheme for renewable energies, cogeneration and waste, currently included in electricity access tolls. This Fund will be endowed with the contributions of the operators of the various energy sectors, not only electricity, the taxes deriving from Law 15/2012 of 27 December, the income from the auctions of CO₂ emission rights, as well as other contributions, with a limit of 10% of the annual income of the Fund, from items of the General State Budget or from community funds. In this way, this Preliminary Draft envisages a mechanism aimed at redistributing the cost associated with meeting the existing renewable objectives at country level among all energy sectors. The Preliminary Draft envisages a gradual process of assumption over a five-year period.

4. Liquidity and Capital Resources.

4.1. Financial Management

Within the framework of an efficient cost management and optimisation policy, the finance function in Spain is centralised in ENDESA, S.A.

At the date of approval in this Consolidated Management Report, the Company had the necessary liquidity and access to medium/long-term financial resources to ensure the availability of the funds required to meet its future investment obligations and debt maturities.

ENDESA uses principles of prudence that are similar to those applied until now in its level of indebtedness and financing structure by obtaining long-term financing that enables it to adjust its maturity schedule to its capacity to generate cash flow envisaged in the business plan. To do this, it:

- Uses external financing, especially through the banking and capital markets.
- Obtains funds from public authorities that offer attractive terms for very long-term loans.
- Has short-term financing in place that helps optimise the management of its working capital requirements and improve the overall cost of debt. This financing is obtained through bank credit lines with leading financial institutions or through the issue of Euro Commercial Paper (ECP).

ENDESA, S.A. also carries out transactions with ENEL Group companies in which the applicable transfer pricing regulations are followed.

Financial position

The year 2020 will be remembered as the year of the COVID-19 health crisis and its devastating consequences in the economic sphere, which could have been even more dramatic had it not been for the rapid and forceful reaction of both Governments and Central Banks and other institutions.

The year began with Brexit, which meant the break, on 31 January 2020, of the link between the United Kingdom and the European Union, which marked the beginning of a complicated transition period that ended on 31 December 2020.

However, the most significant event of the year at all levels was the declaration by the World Health Organisation (WHO) on 11 March 2020 raising the public health emergency situation caused by COVID-19 to that of a pandemic (see Notes 2.2.1 and 38 of the Notes to the Consolidated Annual Accounts for the year ended 31 December 2020 and Section 7.1. COVID-19 Health Crisis of this Consolidated Management Report) and the consequences that this has caused in the world economy.

The European Central Bank (ECB), in its meeting of 12 March 2020, announced a first package of measures to strengthen liquidity and increased asset purchases to face the health and economic crisis. Additionally, on 18 March 2020, the Pandemic Emergency Purchasing Programme (PEPP) was launched, with an amount of Euros 750,000 million to improve the financial markets of the euro area. At the June meeting, the volume of the Programme was increased by Euros 600,000 million. In December, in view of the severity of the second wave of the pandemic, the ECB extended this Programme to March 2022 and endowed it with an additional Euros 500,000 million, making a total of Euros 1,850,000 million.

Additionally, on 21 July 2020, the European Council agreed to an exceptional temporary recovery instrument known as the European Union Recovery Plan ("Next Generation EU") for an amount of Euros 750,000 million, which has ensured a coordinated EU response among Member States to deal with the economic and social consequences of the pandemic.

For its part, the US Federal Reserve cut its reference interest rate by 50 bps in the first week of March, bringing it to a range of between 1.00% and 1.25%, to counteract the impact of COVID-19 on markets and the economy. Two weeks later, in coordination with other central banks, the Federal Reserve again cut interest rates, by 100 bps to a range of 0.00% to 0.25%.

During 2020 we saw financial markets struggling to recover from a major stoppage. The yield on Spanish 10-year bonds began the year at 0.46%, rose to a maximum of 1.22% on 18 March 2020, returning later to minimum levels of 0.04% at the end of 2020. German bonds started the year with a negative yield of -0.19%, which increased to the minimum of -0.86% in March before starting a moderate recovery to -0.57% at the end of the year. As a consequence, risk premiums (spreads relative to German 10-year bonds) in EU countries increased considerably. Risk premiums in Spain and Italy, which at the worst moments of the health and economic crisis reached 154 bps and 279 bps respectively, stood at 62 bps and 111 bps respectively at the end of the year.

During 2020 the long-term euro interest rate (10-year swap) decreased by 47 bps to -0.26% at the end of the year. The short-term interest rate (3-month Euribor) declined by 17 bps to end the year at -0.55%. Long-term US dollar interest rates fell in 2020 from 1.90% to 0.92%, while the 3-month rate fell from 1.91% at the beginning of the year to 0.24% at year-end.

As for the exchange rate, in 2020 the euro appreciated by 9.3% against the US dollar, the EUR/USD exchange rate going from 1.1231 at the beginning of the year to 1.2270 at year-end.

The following table presents the changes during 2020 in some of the indicators listed in the foregoing paragraphs:

| | 31 December 2020 | 31 December 2019 | Difference | % Var. |
|---|------------------|------------------|------------|------------------|
| Exchange Rate (EUR/USD) | 1.2270 | 1.1231 | 0.1039 | 9.3 |
| Long-Term Euro Interest Rate (10-year Swap) (%) | (0.26) | 0.21 | (0.47) | (223.8) |
| Short-Term Euro Interest Rate (3-month Euribor) (%) | (0.55) | (0.38) | (0.17) | 44.7 |
| Long-Term US Dollar Interest Rate (10-year swap) (%) | 0.92 | 1.90 | (0.98) | (51.6) |
| Short-term US Dollar Interest Rate (3-month LIBOR) (%) | 0.24 | 1.91 | (1.67) | (87.4) |
| German 10-Year Bond (%) ⁽¹⁾ | (0.57) | (0.19) | (0.38) | 200.0 |
| German 30-Year Bond (%) ⁽²⁾ | (0.16) | 0.35 | (0.51) | (145.7) |
| Spanish 10-Year Bond (%) | 0.04 | 0.46 | (0.42) | (91.3) |
| Spain's Country Risk Premium (bps) ⁽³⁾ | 62 | 65 | (3) | (4.6) |
| Italy's Country Risk Premium (bps) ⁽³⁾ | 111 | 160 | (49) | (30.6) |
| European Central Bank (ECB) Reference Rates (%) | 0.00 | 0.00 | - | - |
| European Central Bank (ECB) Deposit Facility (%) ⁽⁴⁾ | (0.50) | (0.50) | - | - |
| Federal Reserve Reference Rates (%) | 0.00 - 0.25 | 1.50 - 1.75 | (1.5) | (100.0) - (85.7) |

(1) All-Time Low in March 2020: -0.86%

(2) Quoted negative yields from July 2020.

(3) Differential with the German 10-year bond.

(4) Rate that the European Central Bank (ECB) charges banks for their deposits.

bps = basis points.

Financial debt.

At 31 December 2020, ENDESA had net financial debt of Euros 6,899 million, an increase of Euros 522 million (+8.2%) compared with 31 December 2019.

The reconciliation of ENDESA's gross and net financial debt at 31 December 2020 and 2019 is as follows:

Millions of euros

| | Reference ⁽¹⁾ | Reconciliation of Financial Debt | | | |
|--|--------------------------|----------------------------------|------------------|------------|-------------|
| | | 31 December 2020 | 31 December 2019 | Difference | % Var. |
| Non-current Financial Debt | 17.1 | 5,937 | 5,652 | 285 | 5.0 |
| Current Financial Debt | 17.1 | 1,372 | 955 | 417 | 43.7 |
| Gross Financial Debt ⁽²⁾ | | 7,309 | 6,607 | 702 | 10.6 |
| Cash and Cash Equivalents | 13 | (403) | (223) | (180) | 80.7 |
| Financial Derivatives Recognised in Financial Assets | 18.6.1 | (7) | (7) | - | - |
| Net Financial Debt | | 6,899 | 6,377 | 522 | 8.2 |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

(2) At 31 December 2020, this includes Euros 36 million corresponding to financial derivatives recognised under financial liabilities (Euros 21 million at 31 December 2019).

When analysing the changes in net financial debt, it must be borne in mind that in 2020 ENDESA, S.A. paid its shareholders dividends of gross Euros 1.475 per share, with a pay-out of Euros 1,562 million (see Sections 4.4. Cash flows and 13.2. Dividend Policy in this Consolidated Management Report).

The structure of ENDESA's gross financial debt at 31 December 2020 and 2019, is shown hereunder:

Millions of euros

| | Structure of Gross Financial Debt | | | |
|-------------------------------------|-----------------------------------|------------------|------------|-------------|
| | 31 December 2020 | 31 December 2019 | Difference | % Var. |
| Euros | 7,222 | 6,498 | 724 | 11.1 |
| US dollar (USD) | 87 | 109 | (22) | (20.2) |
| TOTAL | 7,309 | 6,607 | 702 | 10.6 |
| Fixed rate | 4,716 | 4,639 | 77 | 1.7 |
| Floating rate | 2,593 | 1,968 | 625 | 31.8 |
| TOTAL | 7,309 | 6,607 | 702 | 10.6 |
| Average Life (years) ⁽¹⁾ | 4.6 | 5.2 | - | - |
| Average Cost (%) ⁽²⁾ | 1.7 | 1.8 | - | - |

(1) Average Life of Gross Financial Debt (number of years) = (Principal * Number of Days of Validity) / (Principal Outstanding at the Close of the Period * Number of Days in the Period).

(2) Average Cost of Gross Financial Debt (%) = Cost of Gross Financial Debt / Average Gross Financial Debt.

At 31 December 2020, 65% of gross financial debt was at fixed interest rates and the remaining 35% at floating rates. At this date, 99% of the gross financial debt was denominated in euros.

In line with its Strategic Plan, ENDESA promotes innovative financial solutions on competitive terms and encourages its partners and stakeholders to share a long-term sustainable vision. Thus, at 31 December 2020, sustainable financing represented 45% of ENDESA's gross financial debt.

Certain ENDESA companies' loans and borrowings contain the usual covenants in this type of agreement. At the date of formulation of this Consolidated Management Report, neither ENDESA, S.A. nor any of its subsidiaries were in breach of their financial obligations or of any type of obligation that might give rise to early maturity of their financial commitments (see Note 17.2.3 to the Consolidated Financial Statements for the year ended 31 December 2020).

At the date of approval of this Consolidated Management Report, ENDESA has not had to resort to refinancing processes for its financial debt as a consequence of the health crisis caused by COVID-19.

Similarly, in the current context ENDESA has not amended, renegotiated or cancelled any clauses contained in lease agreements in which it acts as lessee, and therefore neither right-of-use assets nor liabilities representing the present value of the obligation to make lease payments over the term of the leases have been modified.

Information concerning the maturities of gross financial debt is set out in Note 17 to the Consolidated Financial Statements for the year ended 31 December 2020.

Main financial transactions.

In 2020 ENDESA S.A. registered a new Euro Commercial Paper (ECP) SDG7 issue programme for Euros 4,000 million, the outstanding balance at 31 December 2020 being Euros 1,162 million, renewable with the backing of irrevocable bank credit lines. This Programme incorporates, for the first time, sustainability objectives, in line with ENDESA's Strategic Plan (see Section 6. Outlook in this Consolidated Management Report).

The following financial transactions were also concluded in 2020:

| Millions of euros | | | | |
|--|---|-----------------|------------------|--------------|
| | Counterparty | Date of Signing | Expiry Date | Amount |
| Loan ^{(1) (2)} | Caixabank, S.A., Bankia, S.A. and Kutxabank, S.A. | 17 April 2020 | 19 April 2022 | 300 |
| Credit Line ^{(1) (2)} | Caixabank, S.A., Bankia, S.A. and Kutxabank, S.A. | 17 April 2020 | 19 April 2022 | 250 |
| Intercompany Line of Credit ⁽²⁾ | ENEL Finance International, N.V. | 03 June 2020 | 03 June 2022 | 700 |
| Loan ⁽³⁾ | European Investment Bank (EIB) | 30 July 2020 | 3 September 2035 | 35 |
| TOTAL | | | | 1,285 |

(1) They include sustainability clauses.

(2) Financial transactions carried out to strengthen the liquidity position and ensure the continuity of business activity in the current context.

(3) Financial transaction carried out to promote ENDESA's electric mobility plan and partly finance more than 8,500 electric recharging points in Spain. It was disbursed on 1 September 2020. This drawdown is at a variable rate of interest, repayable from September 2024.

On 30 September 2020 ENDESA, S.A. formalised the novation of a bond, together with the associated derivative, for an amount of Euros 12 million, until now issued by International ENDESA B.V. (in liquidation) With this transaction, the financial activity of International ENDESA, B.V. (in liquidation) came to an end, and

the company was liquidated on 30 December 2020 (see Note 2.3.1 of the Notes to the Consolidated Annual Accounts for the year ended 31 December 2020 and Section 2.5. Scope of Consolidation in this Consolidated Management Report).

Liquidity.

At 31 December 2020, ENDESA had liquidity of Euros 4,493 million (Euros 3,300 million at 31 December 2019) and is detailed as follows:

| Millions of euros | | | | | |
|---|--------------------------|------------------|------------------|--------------|-------------|
| | Reference ⁽¹⁾ | Liquidity | | | |
| | | 31 December 2020 | 31 December 2019 | Difference | % Var. |
| Cash and Cash Equivalents | 13 | 403 | 223 | 180 | 80.7 |
| Unconditional availability in credit lines ⁽²⁾ | 19.4 and 34.1.2 | 4,090 | 3,077 | 1,013 | 32.9 |
| TOTAL | 17.2.1 | 4,493 | 3,300 | 1,193 | 36.2 |
| Debt Maturity Coverage (number of months) ⁽³⁾ | | 17 | 26 | - | - |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

(2) At 31 December 2020 and 2019, Euros 1,000 million were accounted for by the committed and irrevocable credit line arranged with ENEL Finance International, N.V. In addition, at 31 December 2020, Euros 700 million correspond to the credit line available with ENEL Finance International, N.V.

(3) Coverage of debt maturities (number of months) = maturity period (number of months) for long-term debt that could be covered with the liquidity available.

ENDESA has a solid financial situation and unconditional credit lines contracted with first-tier entities available for significant amounts. This, together with the implementation in the current context of specific plans to strengthen and improve the liquidity position and ensure the continuity of the business activity, is estimated to enable it to face the impact caused by the difficulties of the economic situation (see Notes 2.2.1 and 38 of the Notes to the Consolidated Annual Accounts for the year ended 31 December 2020 and Section 7.1. COVID-19 Health Crisis of this Consolidated Management Report).

At 31 December 2020, ENDESA had negative working capital of Euros 2,321 million. The undrawn amount under the Company's long-term credit lines provides assurance that ENDESA can obtain sufficient financial resources to continue its operations, realise its assets and settle its liabilities for the amounts shown in the statement of financial position.

The undrawn credit lines also guarantee the refinancing of the short-term debt presented under "Non-Current Financial Debt" in the Consolidated Statement of Financial Position, the amount of which totals Euro 33 million at 31 December 2020 (Euros 29 million at 31 December 2019).

The amount of these lines, together with current assets, sufficiently covers ENDESA's short-term payment obligations.

Treasury investments considered as cash and cash equivalents are highly liquid and entail no risk of changes in value, mature within 3 months of their contract date and accrue interest at the market rates for such instruments.

Any restrictions that might affect the availability of funds to ENDESA, S.A. are set out in Notes 13 and 14.1.13 to the Consolidated Financial Statements for the year ended 31 December 2020.

4.2. Capital management

ENDESA's capital management focuses on maintaining a solid financial structure that optimises the cost of capital and the availability of financial resources to guarantee business continuity over the long term. This policy of financial prudence makes it possible to maintain an adequate level of value creation for shareholders while guaranteeing ENDESA S.A.'s liquidity and solvency.

The level of consolidated leverage is defined as an indicator for monitoring the financial situation, data at 31 December 2020 and 2019 being as follows:

Millions of euros

| | Reference ⁽¹⁾ | Leverage | | % Var. |
|--|--------------------------|------------------|------------------|--------------|
| | | 31 December 2020 | 31 December 2019 | |
| Net Financial Debt: | | 6,899 | 6,377 | 8.2 |
| Non-current Financial Debt | 17.1 | 5,937 | 5,652 | 5.0 |
| Current Financial Debt | 17.1 | 1,372 | 955 | 43.7 |
| Cash and Cash Equivalents | 13 | (403) | (223) | 80.7 |
| Financial Derivatives Recognised in Financial Assets | 18.3 | (7) | (7) | - |
| Equity: | 14 | 7,465 | 7,837 | (4.7) |
| Of the Parent | 14.1 | 7,315 | 7,688 | (4.9) |
| Of Non-Controlling Interests | 14.2 | 150 | 149 | 0.7 |
| Leverage (%) ⁽²⁾ | | 92.42 | 81.37 | N/A |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

(2) Leverage (%) = Net financial debt / equity.

The Company's Directors consider that its leverage will enable it to optimise the cost of capital while maintaining a high solvency ratio. Therefore, in due consideration of expectations of earnings and the investment plan, the future dividend policy will maintain a leverage ratio to achieve the aforementioned capital management target.

At the date on which this Consolidated Management Report was drawn up, ENDESA, S.A. had no commitments to obtain funds through its own sources of finance.

Information on capital management is provided in Note 14.1.12 to the Consolidated Financial Statements for the year ended 31 December 2020.

Information on the investments plan and shareholder remuneration is provided, respectively, in Sections 6.3. Main Financial Indicators and 13.2. Dividend Policy in this Consolidated Management Report.

4.3. Management of Credit Ratings.

During 2020 the rating agencies kept the sovereign rating of the Kingdom of Spain unchanged. The only change that occurred was in Standard & Poor's outlook, which went from Stable to Negative, announced in September. This change was justified by the economic weakness caused by the COVID-19 crisis and the possibility at that time that an agreement would not be reached to approve the General State Budget for 2021, which finally happened at the end of the year.

The Standard & Poor's rating thus ended the year at A, with a Negative outlook, while those of Moody's and Fitch remained unchanged at Baa1 and A-, both with a stable outlook.

As regards ENDESA, the situation was very similar, with no changes in various agencies' ratings in 2020.

On 14 January 2021, Moody's announced an upgrade of ENDESA's credit rating from Baa2 to Baa1, with a stable outlook. In its statement, Moody's highlighted the solid business and financial profile of the Company and its position within the ENEL Group. In this regard, the large proportion of regulated activities within the business combination, resulting in stable income, was seen as a positive factor, as was the low level of leverage.

As for the other agencies, Standard & Poor's has kept its rating unchanged since 2017 at the BBB + level / Stable outlook, last confirmed in a report published in November. For its part, on 17 February 2021, Fitch has reaffirmed the A- rating / Stable outlook that had been communicated in February 2019.

In its latest reports on the Sector, published in July 2020, Fitch considers that the integrated electricity companies in the Iberian market show reasonable resistance to the economic crisis generated by COVID-19, thanks to the defensive nature of their business mix, with a percentage of regulated income above the European average, their solid liquidity positions, the hedging of energy sales already carried out and the stability provided by the recently revised regulatory framework.

Moody's, in its report published in November 2020, highlights the fact that its outlook for the Electricity Sector for 2021 remains stable, reflecting its forecast that companies will continue to be resistant to the pandemic and improve their results, while at the same time maintaining the uncertainty that exists about the pace of economic recovery and electricity demand in the current situation.

The evolution of ENDESA's credit ratings in 2020 can be summarised as follows:

| | Credit Rating | | | | | | |
|-------------------|---------------------------------|------------|---------|---------------------|---------------------------------|------------|----------|
| | 31 December 2020 ⁽¹⁾ | | | | 31 December 2019 ⁽¹⁾ | | |
| | Long-term | Short-term | Outlook | Date of Last Report | Long-term | Short-term | Outlook |
| Standard & Poor's | BBB+ | A-2 | Stable | 26 November 2020 | BBB+ | A-2 | Stable |
| Moody's | Baa1 | P-2 | Stable | 14 January 2021 | Baa2 | P-2 | Positive |
| Fitch | A- | F2 | Stable | 17 February 2021 | A- | F2 | Stable |

(1) At the respective dates of formulation of the Consolidated Management Report.

ENDESA's credit rating is conditioned by that of its parent company ENEL in accordance with the methods used by the rating agencies, and at 31 December 2020 it was classed as investment grade by all the rating agencies.

ENDESA works to maintain its investment grade credit rating in order to efficiently access money markets and bank financing, and to obtain preferential terms from its main suppliers.

4.4. Cash Flows

At 31 December 2020 and 2019 the amount of cash and cash equivalents breaks down as follows (see Section 4.1. Financial Management in this Consolidated Management Report):

| Millions of euros | | | | | |
|---------------------------|--------------------------|---------------------------|------------------|------------|-------------|
| | Reference ⁽¹⁾ | Cash and Cash Equivalents | | | |
| | | 31 December 2020 | 31 December 2019 | Difference | % Var. |
| Cash in hand and at banks | | 403 | 223 | 180 | 80.7 |
| Other Cash Equivalents | | - | - | - | N/A |
| TOTAL | 13 | 403 | 223 | 180 | 80.7 |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

In 2020 and 2019 ENDESA's net cash flows, broken down into operating, investing and financing activities, were as follows:

| Millions of euros | | | | |
|--|-------------------------|---------|------------|--------|
| | Statement of cash flows | | | |
| | 2020 | 2019 | Difference | % Var. |
| Net cash flows from operating activities | 2,951 | 3,181 | (230) | (7.2) |
| Net cash flows from investing activities | (1,726) | (1,951) | 225 | (11.5) |
| Net cash flows from financing activities | (1,045) | (1,251) | 206 | (16.5) |

In financial year 2020, the net cash flows generated by operating activities (Euros 2,951 million) made it possible to meet net payments for investment activities (Euros 1,726 million) and financing activities (Euros 1,045 million).

Information on ENDESA's Consolidated Statement of Cash Flows is set out in Note 32 to the Consolidated Financial Statements for the year ended 31 December 2020.

Net cash flows from operating activities

In 2020, net cash flows from operating activities amounted to Euros 2,951 million, down by 7.2% compared with the previous year (Euros 3,181 million in 2019), the breakdown being as follows:

Millions of euros

| | Reference (1) | 2020 | 2019 | Difference | % Var. |
|---|------------------|--------------|--------------|--------------|--------------|
| Gross Profit Before Taxes and Non-Controlling Interests | | 1,788 | 230 | 1,558 | 677.4 |
| Adjustments for: | | 2,153 | 3,981 | (1,828) | (45.9) |
| Depreciation and amortisation and impairment losses | 28 | 1,897 | 3,453 | (1,556) | (45.1) |
| Other adjustments (net) | | 256 | 528 | (272) | (51.5) |
| Changes in working capital: | | (413) | (230) | (183) | 79.6 |
| Trade and other receivables | | 31 | (157) | 188 | (119.7) |
| Inventories | | (225) | (296) | 71 | (24.0) |
| Current financial assets | | 28 | (85) | 113 | (132.9) |
| Trade payables and other current liabilities (2) | | (247) | 308 | (555) | (180.2) |
| Other cash flows from/(used in) operating activities: | | (577) | (800) | 223 | (27.9) |
| Interest received | | 34 | 27 | 7 | 25.9 |
| Dividends received | | 28 | 26 | 2 | 7.7 |
| Interest paid (3) | | (152) | (136) | (16) | 11.8 |
| Corporation tax paid | | (229) | (440) | 211 | (48.0) |
| Other proceeds from/(payments for) operating activities (4) | | (258) | (277) | 19 | (6.9) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | | 2,951 | 3,181 | (230) | (7.2) |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

(2) ENDESA, as part of its commitment to society, has designed a Public Responsibility Plan for direct aid to the purchase of material, special supply conditions and donations to alleviate the main health and social needs caused by the COVID-19 health crisis. The amount disbursed under this head was Euros 25 million (Euros 22 million, net of the tax effect) (see Notes 2.2.1, 27, 32.1, 33.2.1 and 38 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2020 and Section 7.1. COVID-19 Health Crisis in this Consolidated Management Report).

(3) Includes payment of interest on financial liabilities for rights of use amounting to Euros 33 million and Euros 30 million respectively (see Note 6.1 to the Consolidated Financial Statements for the year ended 31 December 2020).

(4) Corresponding to provisions payments.

The variations in the various items determining the net cash flows from operating activities include:

- The lower gross profit before tax and non-controlling interests net of depreciation and amortisation and other adjustments for the period (Euros 270 million).
- Changes in working capital between the two years amounting to Euros 183 million as a consequence, mainly, of the increase in trade payables (Euros 555 million), the positive evolution of trade and other receivables (Euros 188 million), lower payments for inventories (Euros 71 million) and the positive evolution of regulatory items receivable amounting to Euros 113 million (Euros 264 million, positive, in respect of the tariff deficit, Euros 90 million, negative, for compensation for the extra costs of generation in Non-mainland Territories (“TNP”) and Euros 61 million euros, negative, for the remuneration for investment in renewable energy).
- The variation in corporation tax in both years amounting to Euros 211 million.

In 2020, the company also continued its active policy of managing current assets and liabilities, focusing among other aspects on improving processes, factoring accounts receivable and reaching agreement to extend payment terms with suppliers (see Notes 12 and 22 to the Consolidated Financial Statements corresponding to the year ending 31 December 2020).

At 31 December 2020 and 2019, working capital broke down as follows:

Millions of euros

| | Reference ⁽¹⁾ | Working Capital | |
|--|--------------------------|------------------|------------------|
| | | 31 December 2020 | 31 December 2019 |
| Current Assets ⁽²⁾ | | 5,831 | 5,877 |
| Inventories | 11 | 1,077 | 1,177 |
| Trade and other receivables | 12 | 3,577 | 3,485 |
| Current financial assets | 18 | 1,177 | 1,215 |
| Compensation for Extra Costs of Generation in Non-mainland Territories ("TNP") | | 602 | 561 |
| Collection Rights for the Financing of the Deficit of Regulated Activities | | 277 | 389 |
| Remuneration of Distribution Activity | | 246 | 178 |
| Others | | 52 | 87 |
| Current Liabilities ⁽³⁾ | | 7,183 | 7,510 |
| Current provisions | 23 | 477 | 576 |
| Trade Payables and Other Current Liabilities | 22 | 6,706 | 6,934 |
| Parent Company Dividend ⁽⁴⁾ | 14.1.10 and 14.1.12 | 741 | 741 |
| Others | | 5,965 | 6,193 |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

(2) Does not include "Cash and cash equivalents" or "Financial Asset Derivatives" corresponding to financial debt.

(3) Does not include "Current Financial Debt" or "Financial Liability Derivatives" corresponding to financial debt.

(4) See Section 13.2. Dividend Policy in this Consolidated Management Report.

Net cash flows used in investing activities

During 2020, net cash flows used in investing activities amounted to Euros 1,726 million (Euros 1,951 million in 2019) and included, *inter alia*:

- Net cash payments used to acquire property, plant and equipment and intangible assets:

Millions of euros

| | Reference ⁽¹⁾ | Sections | 2020 | 2019 |
|---|--------------------------|----------|----------------|---------------------------|
| Acquisition of Property, Plant and Equipment and Intangible Assets | | | (1,704) | (1,821) |
| Acquisition of Property, Plant and Equipment ⁽²⁾ | 6.2 | 4.5 | (1,407) | (1,791) |
| Acquisition of intangible assets | 8.1 | 4.5 | (234) | (234) |
| Facilities transferred from customers | | | 29 | 45 |
| Suppliers of property, plant and equipment | | | (92) | 159 |
| Proceeds from sales of property, plant and equipment and intangible assets | | | 49 | 94 ⁽³⁾ |
| Grants and other deferred income | | | 106 | 137 ⁽⁴⁾ |
| TOTAL | | | (1,549) | (1,590) |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

(2) Not including recognition of right-of-use assets amounting to Euros 182 million

(3) Includes Euros 70 million corresponding to the transaction assigning the rights of use for the surplus fibre optics (see Section 2.3.5. Net Gains/(Losses) on Disposal of Assets of this Consolidated Management Report).

(4) Included Euros 50 million corresponding to advance receipt in respect of the obligation to transfer the rights of use relating to the surplus optical fibre (see Section 2.3.5 Net Gains/(Losses) on Disposal of Assets of this Consolidated Management Report).

- Net cash payments for investments and/or receipts from disposals of holdings in Group companies:

Millions of euros

| | Reference ⁽¹⁾ | Sections | 2020 | 2019 |
|--|--------------------------|----------|-------------|-------------|
| Equity investments in Group Companies | | | (17) | (37) |
| Companies acquired by ENEL Green Power España, S.L.U. (EGPE) | 2.3.1, 5 and 8 | 2.5 | (14) | (37) |
| Suggestion Power, Unipessoal, Lda. | 2.3.1, 5 and 8 | 2.5 | (3) | - |
| Disposals of investments in Group Companies | | | 21 | - |
| ENDESA Soluciones, S.L. | 2.3.1, 2.4 and 10.1 | 2.5 | 21 | - |
| TOTAL | | | 4 | (37) |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

Net cash flows used in financing activities.

During 2020, net cash flows used in financing activities amounted to Euros 1,045 million (Euros 1,251 million in 2019) and mainly included the following items:

– Cash flows in respect of equity instruments:

Millions of euros

| | Reference ⁽¹⁾ | 2020 | 2019 |
|--|--------------------------|----------|-----------|
| Treasury shares | 14.1.8 | (2) | - |
| Contribution of Funds, San Francisco de Borja, S.A. | 14.2 | 3 | - |
| Capital reduction of Énergie Électrique de Tahhadart, S.A. | 10.1 | 3 | - |
| Funds contribution by Bosa del Ebro, S.L. | 14.2 | - | 10 |
| TOTAL | | 4 | 10 |

(1) Reference to the Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

– Drawdowns of non-current financial debt:

| | Reference ⁽¹⁾ | 2020 | 2019 |
|--|--------------------------|------------|------------|
| Drawdowns on the loan from Caixabank, S.A., Bankia, S.A. and Kutxabank, S.A. | 17.2.2 | 300 | - |
| Drawdowns on credit lines with ENEL Finance International, N.V. | 17.2.2 | 500 | - |
| Drawdowns of the European Investment Bank (EIB) Green Loan | | 35 | 335 |
| Drawdowns of the Official Credit Institute ("ICO") Green Loan | | - | 300 |
| Drawdowns of other credit lines | | - | - |
| Others | | 8 | 35 |
| TOTAL | 17.1 | 843 | 670 |

(1) Reference to the Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

– Reimbursements of non-current financial debt:

Millions of euros

| | Reference ⁽¹⁾ | 2020 | 2019 |
|--|--------------------------|--------------|--------------|
| Repayments of ENEL Finance International N.V. credit lines | | (500) | - |
| Repayment of other credit lines | | (68) | (172) |
| Repayments of European Investment Bank (EIB) Green Loan | | - | (6) |
| Others | | (7) | (19) |
| TOTAL | 17.1 | (575) | (197) |

(1) Reference to the Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

– Amortisation and drawdowns of current financial debt:

Millions of euros

| | Reference ⁽¹⁾ | Sections | 2020 | 2019 |
|---|--------------------------|----------|------------|--------------|
| Drawdowns | | | | |
| Euro Commercial Paper (ECP) issues | 17.2.2 | 4.1 | 13,913 | 10,848 |
| Others | | | 67 | 77 |
| Amortisation | | | | |
| Amortisation of Euro Commercial Paper (ECP) | 17.2.2 | 4.1 | (13,548) | (10,956) |
| Payments of Right-of-Use Contracts | | 2.2 | (73) | (57) |
| Amortisation of European Investment Bank (EIB) Green Loan | | | (46) | - |
| Others | | | (58) | (126) |
| TOTAL | 17.1 | | 255 | (214) |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

– Dividends paid:

Millions of euros

| | Reference ⁽¹⁾ | 2020 | 2019 |
|--|--------------------------|----------------|----------------|
| Dividends of the Parent paid | 14.1.10 and 14.1.12 | (1,562) | (1,511) |
| Dividends paid to non-controlling interests ⁽²⁾ | 14.2 | (10) | (9) |
| TOTAL | | (1,572) | (1,520) |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

(2) Corresponding to companies of ENEL Green Power España, S.L.U. (EGPE).

4.5. Investments.

In 2020 ENDESA made gross investments of Euros 1,846 million. Of this amount, Euros 1,823 million were related to investments in property, plant and equipment and intangible assets, and the remaining Euros 23 million to financial investments, as follows:

Millions of euros

| | Reference ⁽¹⁾ | Investments ⁽²⁾ | | |
|---|--------------------------|----------------------------|--------------|---------------|
| | | 2020 | 2019 | % Var. |
| Generation and Supply | | 897 | 1,290 | (30.5) |
| Generation in Non-mainland Territories ("TNP") | | 102 | 80 | 27.5 |
| Other Generation and Supply | | 795 | 1,210 | (34.3) |
| Distribution | | 614 | 609 | 0.8 |
| Structure and Others ⁽³⁾ | | 78 | 26 | 200.0 |
| TOTAL PROPERTY, PLANT AND EQUIPMENT ^{(4) (5)} | 6.2 | 1,589 | 1,925 | (17.5) |
| Generation and Supply | | 185 | 160 | 15.6 |
| Generation in Non-mainland Territories ("TNP") | | 3 | 5 | (40.0) |
| Other Generation and Supply | | 182 | 155 | 17.4 |
| Distribution | | 22 | 40 | (45.0) |
| Structure and Others ⁽³⁾ | | 27 | 34 | (20.6) |
| TOTAL INTANGIBLE ASSETS ⁽⁵⁾ | 8.1 | 234 | 234 | - |
| FINANCIAL INVESTMENTS | | 23 | 43 | (46.5) |
| TOTAL GROSS INVESTMENTS | | 1,846 | 2,202 | (16.2) |
| Capital grants and Facilities Sold | | (135) | (133) | 1.5 |
| Generation and Supply | | (7) | (4) | 75.0 |
| Distribution | | (128) | (129) | (0.8) |
| TOTAL NET INVESTMENTS ⁽⁶⁾ | | 1,711 | 2,069 | (17.3) |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

(2) Does not include corporate acquisitions made during the year (see Note 5 to the Consolidated Financial Statements for the year ended 31 December 2020 and Section 2.5. Scope of Consolidation in this Consolidated Management Report).

(3) Structure, Services and Adjustments.

(4) Includes recognition of rights of use amounting to Euros 182 million (Euros 138 million in 2019) (see Note 6.1 to the Consolidated Financial Statements for the year ended 31 December 2020).

(5) In 2020 it includes Euros 1,647 million relating to investments for low-carbon products, services and technologies (Euros 1,931 million in 2019).

(6) Net investments = Gross investments – Capital grants and facilities sold.

Investments in property, plant and equipment.

Gross investments in generation in 2020 related mainly to investments for the construction of power plants based on renewable sources for an amount of Euros 394 million. They also include the recognition of a right of use asset, corresponding to the land where certain renewable generation facilities are located, for an amount of Euros 97 million.

The reduction in gross investments in generation and supply (-30.5%) compared with 2019 was mainly due to the fact that in 2019 the investments mainly concerned the construction of wind and photovoltaic power awarded in the auctions held in 2017, commissioning of which took place in 2019.

Gross investments in supply correspond mainly to the development of activity related to new products and services amounting to Euros 24 million.

Gross investments in distribution related to grid extensions and expenditure aimed at optimising the functioning of the grid to ensure greater efficiency and service quality.

With regard to gross structural and other investments, they include the recognition of a right-of-use asset for the amount of Euros 57 million corresponding to the renewal of the lease contract for ENDESA's headquarters.

Investments in intangible assets.

Gross investments in intangible assets in 2020 corresponded mainly to IT applications and ongoing investments in ICT activities for Euros 130 million, prominent among which were those associated with the strategic objective of digitisation and the capitalisation of the incremental costs incurred in obtaining customer contracts for an amount of Euros 98 million.

Financial investments.

Gross investments in 2020 consisted mainly of various financial credits.

4.6. Contractual obligations and off-balance sheet transactions

Details of future purchase commitments at 31 December 2020 and 2019 are as follows:

Millions of euros

| | Reference ⁽¹⁾ | Future purchase commitments | |
|---|--------------------------|-----------------------------|------------------|
| | | 31 December 2020 | 31 December 2019 |
| Property, plant and equipment | 6.3 | 1,020 | 636 |
| Intangible assets | 8.2 | 19 | 27 |
| Financial investments | | - | - |
| Provision of Services and Rights of Use | 6.3 and 12 | 219 | 235 |
| Purchases of fuel stocks and others | 11.2 | 14,722 | 19,578 |
| Purchases of fuel stocks | | 14,606 | 19,559 |
| Electricity purchases | | 20 | - |
| Purchases of CO ₂ emission rights, Certified Emission Reductions (CERs) and Emission Reduction Units (ERUs) ⁽²⁾ | 34.1.2 | 96 | 19 |
| TOTAL | | 15,980 | 20,476 |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

(2) Committed to Group companies.

ENDESA has no special purpose entities, understood as entities which, without necessarily holding a controlling interest in them, it effectively controls, meaning that it substantially obtains most of the profits earned by the entity and retains most of the risks involved.

5. Events after the reporting period

Information concerning events after the end of the reporting period is provided in Note 40 to the Consolidated Financial Statements for the year ended 31 December 2020.

6. Outlook

6.1. Energy Policy Context.

In an extremely complex year, which has been marked by the effects of the COVID-19 pandemic, ENDESA has kept its commitments and has managed to reach new milestones in achieving a more sustainable and efficient business model, always maintaining a strategic vision aimed at leading the energy transformation in Spain.

It is precisely this energy transition that is destined to become a pillar of the global economic recovery in order to mitigate the risks of recession deriving from the global spread of the pandemic. The need for decarbonisation and growth of energy from renewable sources, smart grids and digitisation can become an engine for investment, employment and economic growth.

This is the context in which the new European Union Recovery Plan is framed, the ultimate goal of which is to help Member States cope with the economic and social repercussions of the COVID-19 pandemic. This Plan aims to ensure at the same time that European economies are more sustainable and resilient by promoting investments in such things as improving energy efficiency in public and private buildings, clean technologies and hydrogen, sustainable mobility and the circular economy.

Spain will be one of the main beneficiaries of this EU initiative, since its economy one of the worst affected by COVID-19.

More specifically, of the Euros 750,000 million approved by the EU, Spain will receive about Euros 140,000 million, of which Euros 72,000 million will be grants (see Section 3. Regulatory Framework in this Consolidated Management Report).

A minimum of 30% of this fund (Euros 42,000 million) will be allocated to the objective of decarbonising the economy, in accordance with the objectives set by the EU Green Deal and the National Integrated Energy and Climate Plan (“PNIEC”).

The Economic Recovery Fund will thus be an opportunity to accelerate the energy transition process in Spain. Given that the objectives that have been defined are fully aligned with the energy policy supported by the Government, this Fund can also become the main catalyst for the country's economic recovery after the pandemic.

This Plan also recognises the importance of public-private collaboration as a guiding principle for increasing investment capacity, the materialisation of projects and the participation of companies in their fulfilment.

All these initiatives are in line with the objectives set by the European Union Green Deal, which sets out the roadmap towards full decarbonisation by 2050. The new proposal assumes more ambitious emission reduction targets for 2030 relative to 1990, increasing them from 40% to 55% (as recently approved by the European Commission) or even 60% (European Parliament proposal). This target will be accompanied by an increase in the share of renewable energy to around 40% in 2030, as well as the measurement of energy efficiency.

With regard to Spain, the National Integrated Energy and Climate Plan (“PNIEC”) establishes an emission reduction objective for 2030 of 23% relative to 1990, a renewable share of 42% and confirms the aim of carbon-neutrality by 2050.

6.2. Strategic Lines of Action.

Meeting the decarbonisation targets in Spain arising from this new context will mean facing even more ambitious challenges between now and 2030 (see Notes 2.2.2 and 39 to the Consolidated Financial Statements for the year ended 31 December 2020).

In this regard, it should be noted that the strategic repositioning towards energy from renewable sources that ENDESA has already been implementing in recent years has led to a significant change in ENDESA's generation mix, thanks to which it expects to achieve 83% CO₂ emission-free production in the mainland by the end of 2020, above the goal established in the previous Strategic Plan.

The Strategic Plan for the period 2021-2023, presented on 25 November 2020, gives continuity to this repositioning, while responding to the new needs of the environment. ENDESA thus takes a further step in its firm commitment to contribute to the development of an efficient and sustainable energy model, based on electrification from renewable sources, the development of smart grids as an integrating element and a focus on customer centrality.

This Plan is based on the following priorities:

1. Acceleration in the decarbonisation commitments of generation facilities, by strongly promoting energy from renewable sources and the gradual closure of plants using technologies with higher emissions.
2. Electrification of demand, consolidating the current leadership position and leveraging the use of new platforms that allow a competitive advantage through management based on customer value and the development of new personalised services and products.
3. Progress in the development and operation of more efficient networks that facilitate the integration of energy from renewable sources and the electrification of transport. Always with the ambition of being the pre-eminent digital grid operator in the industry.

In addition, all the objectives of ENDESA's Strategic Plan confirm the commitments of the Company's business model to the Sustainable Development Goals adopted in 2015 by the United Nations, especially Sustainable Development Goals (SDGs) 7 (Affordable and Clean Energy), 9 (Industry, Innovation and Infrastructure), 11 (Sustainable Cities and Communities) and even more especially 13 (Climate Action), to which more than 94% of the Plan's investments are dedicated (see Section 8.3. ENDESA's contribution to the United Nations Sustainable Development Goals (SDGs) in this Consolidated Management Report).

1) Acceleration in decarbonisation commitments of generation facilities

ENDESA's firm commitment to gradually reducing GHG emissions to achieve the final zero emissions target in 2050 is reflected in the following strategic lines:

- Acceleration of development investments in wind and solar generation in the 2021-2023 period, amounting to Euros 3,300 million and representing an increase of 20% compared with the already ambitious amount of development investments estimated in the previous Plan. During the Plan horizon, ENDESA will add 3.9 GW of new capacity, which would increase its renewable installed capacity by almost 50% from the end of 2020 and would reach 11.5 GW, with an estimated equivalent production of 21 TWh.
- This commitment to decarbonisation is endorsed by the already announced progressive closure of all mainland coal-fired thermal power plants, which is expected to be completed in June 2021. This profound transformation of the generation mix will allow ENDESA to obtain an emission-free mainland production estimated for 2023 at 90% of the total, with a 62% share of renewable sources. Additionally, this change in the mix will favour a 80% reduction in total specific emissions of CO₂ in 2030 compared with 2017, putting ENDESA in a good position to achieve the goal of total decarbonisation by 2050.
- These ambitious growth objectives are backed by a solid portfolio of projects, in continuous expansion and development, which provides a remarkable degree of flexibility and certainty in the fulfilment of the Plan. ENDESA currently has projects totalling 26.0 GW gross, of which 7.3 GW already have connection points to the grid awarded, with solar energy having a significant weight (68%).

2) Electrification of demand

The changes in the electricity sector deriving from the application of supranational energy transition policies, and which in the case of Spain are reflected in the Integrated National Energy and Climate Plan (PNIEC), will lead to an increase in electricity consumption as a proportion of total final energy consumption as a result of the generalised use of electric vehicles as well as electrification of homes. These changes in consumption patterns and the development of new platforms open the door to new business opportunities that ENDESA expects to exploit and expand under the ENDESA X business line (see Section 1.4. Corporate Map in this Consolidated Management Report).

In the face of these changes, ENDESA must prepare to anticipate and face the new needs of its customers, which involve an ever increasing level of complexity and sophistication in their demand for products and services. This will involve the implementation of the following actions:

- Consolidating ENDESA's current leadership position in the supply of electricity in Spain and Portugal, actively promoting the electrification of our customer base, taking advantage of the integrated energy offers and the new and more comprehensive range of products and services.
- In this new period, ENDESA's strategy seeks to focus on customer loyalty, taking advantage of the digital and analytical capabilities developed, as well as the increasing move to platform-based services, to provide a highly personalised experience and reinforce its image as “energy partner”, while at the same time achieving greater operating efficiency.
- The significant increase in sales that this Plan entails is backed by ENDESA's strong commercial commitment, through the development of innovative offers that are adapted to the needs of our clients, campaigns that are accompanied by corporate communications, as well as the improvement of distance sales and development of new channels that allow new sources of value to emerge.
- Quantitatively, with regard to the offer of other products and services, the plan provides, among other objectives, the continuation of the e-Home business line on the growth path achieved in recent years to reach 2.7 million contracts in 2023, which represents an increase of 42% compared with 2020. Apart from this, the number of electric vehicles charging points will be increased sevenfold to reach 56,000 while the number of urban bus electric charging points is expected to grow to 115,000 by 2023.

3) Development of networks as a facilitating and integrating element

Development of the electricity grid has long been a fundamental pillar of ENDESA's strategy and remains so, now more than ever. In parallel with the acceleration in the rate of implementation of energy from renewable sources at the national level and the greater degree of electrification of demand, it is necessary to undertake a radical remodelling of the distribution infrastructures in order to continue improving the quality and efficiency of the network, reduce operating costs and increase asset value through investments in smart grids and operational excellence.

ENDESA, as a benchmark operator, must lead this technological leap, and has the firm commitment to become the leading network operator. To this end, this Strategic Plan gives continuity to this investment effort, and for this it plans to allocate Euros 2,600 million in the period 2021-2023 to the development, automation and modernisation of the network. This amount represents an increase of approximately 30% compared with the total investments envisaged in the previous plan.

These digitisation initiatives will help to improve grid reliability and service quality. In particular, ENDESA intends to cut interruptions by 23%, grid losses by 3 percentage points, and operating costs per customer by 12% in 3 years.

6.3. Main financial indicators.

The Strategic Plan 2021-2023 contains a gross investment objective of Euros 7,900 million, 25% more envisaged for the years 2020-2022 in the previous Strategic Plan (Euros 6,300 million).

The breakdown of this investment plan by business lines is as follows:

- Investments in new renewable generation developments amount to Euros 3,300 million and will focus on the commissioning of new wind and photovoltaic capacity of approximately 3.9 GW. To this must be added around Euros 300 million for projects to install batteries and generate clean hydrogen. The rest of the mainland investments, Euros 200 million, mainly consist of recurring maintenance investments.

Additionally, investments in the rest of the mainland and non-mainland conventional generation, mainly maintenance, will require Euros 900 million during the period.

- Euros 2,600 million will be invested in Distribution, 30% more than in the previous Plan, with investments in maintenance and growth investments aimed at ongoing modernisation and development of new infrastructures that respond to the decarbonisation and electrification trends in the economy. The continuous advance in digitisation will allow us to continue to increase the level of automation and digitisation of the network, resulting in greater reliability and quality of service.
- Supply and ENDESA X: Euros 600 million, with investments in developing new IT tools to foster customer digitisation and the development of new service channels and other products and services. The implementation of new platforms will improve the customer experience by providing solutions to the retail, industrial and institutional segments, as well as smart management of electric vehicle charging points.

Based on these lines of action and taking into account the effect of COVID-19 on the expected evolution of demand, market trends, as well as expected regulatory changes for the coming years, ENDESA has drawn up a new Business Plan which includes, among other parameters, forecasts of ENDESA's consolidated results based on economic indicators. In accordance with this, ENDESA expects a positive trend as follows:

- EBITDA: Euros 4,300 million in 2023.
- Net ordinary income: Euros 1,900 million in 2023.
- Net cash flows from operating activities, which will amount to Euros 9,200 million during the 2021-2023 period, together with a projected increase in debt of Euros 2,900 million, will allow this accelerated

investment plan to be addressed while at the same time maintaining an attractive shareholder remuneration policy in line with the growth profile.

In this regard and in order to maintain ENDESA's risk profile and financial soundness, the dividend policy approved by the Company maintains a pay-out of 100% on the net ordinary result in 2020, of 80% in 2021 and 70% in 2022, the same percentage that will be applied for 2023 (see Section 1 3.2. Dividend Policy in this Consolidated Management Report).

6.4. 2030 vision

In line with the commitments and objectives established at EU level for 2030 in terms of the reduction of GHG emissions, penetration of renewables, energy efficiency and interconnections, this Strategic Plan also seeks to show ENDESA's long-term vision and how the various business lines will leverage the opportunities arising from this acceleration of the energy transition to further consolidate ENDESA's leadership position.

Fulfilling this vision by 2030 will require estimated investments of around Euros 25,000 million in the next 10 years. This amount would represent approximately 18% of the investments planned in the National Integrated Energy and Climate Plan ("PNIEC") in energy from renewable sources and networks, related to climate change (SDG 13 Climate Action) and key drivers of the Company's strategy.

More specifically:

- 40% of this amount will be used to decarbonise the generation mix, for which it is planned to add more than 10 GW of new renewable capacity, reaching an installed capacity of more than 18 GW in 2030, such that renewable technologies will account for at least 60% of total installed capacity.
- Another 40% will be devoted to strengthening the distribution infrastructure so as to allow the integration of this increase in renewable generation. This investment could lead to a regulated asset base of around Euros 13,000 million in 2030.
- Finally, the remaining 20% will be used mainly to meet the needs entailed by the electrification of demand, characterised by an increase in consumption, the progressive migration of customers to unregulated rates and a greater sophistication of customer needs, which will increase the value of ENDESA's commercial portfolio. In this regard, in the next 10 years, ENDESA aims to increase its deregulated customer base by 30%, surpassing the figure of 7 million.

Regarding ENDESA's commitment to the total decarbonisation of the energy mix by 2050, the accelerated development of new renewable capacity an even more ambitious goal to be set for the reduction of CO₂ emissions than that presented in the previous Strategic Plan. This new objective involves achieving an 80% reduction in specific emissions by 2030 to less than 95 gr/kWh (relative to 2017) and having 80% emission-free production by the same date.

Notwithstanding the foregoing, prospective information cannot be considered a guarantee of the Company's future performance as plans and forecasts are subject to risks and uncertainties, which could result in ENDESA's future performance not matching the initial forecasts (see Section 7. Main Risks and Uncertainties in connection with ENDESA's Business in this Consolidated Management Report).

7. Main risks and uncertainties in connection with ENDESA's business.

7.1. COVID-19 Health Crisis.

The coronavirus epidemic (COVID-19) was first reported to the World Health Organization (WHO) in late December 2019.

On 11 March 2020, the World Health Organisation (WHO) confirmed that the COVID-19 health emergency had reached the level of a pandemic.

In order to contain the effects of the infection, while waiting for an available vaccine, the governments of the various countries adopted numerous containment measures, essentially aimed at restricting the free movement of people, which were modified depending on their effectiveness and the spread of the virus.

In Spain, on 14 March 2020, the Government declared a first State of alarm throughout the national territory to face the health emergency situation caused by COVID-19. After successive extensions, the state of alarm ended on 21 June 2020. From that moment on, a series of prevention, containment and coordination protocols have been adopted, aimed at dealing with and controlling the pandemic as long as the health crisis situation does not end, consistent with the different regulatory provisions that have been dictated by both the autonomous regional governments and the Central government. In this regard, on 25 October 2020 the Government declared a new State of alarm throughout the national territory to contain the spread of the disease, with initial validity until 9 November 2020, which was extended until 9 May 2021. ENDESA constantly reviews the adaptation of the mentioned protocols to the new provisions issued by national, regional or local authorities based on the evolution of the health crisis.

ENDESA carries out a large part of its activities under regulated frameworks and during the health State of alarm deriving from COVID-19, its activities have been classified as essential, which is why it has continued to develop them, adjusting its protocols when necessary.

During this period, business continuity management has relied on working from home for non-critical positions, as recommended in Royal Decree Law 8/2020 of 17 March for all situations in which it was possible. Working from home was in fact introduced some years ago in the organisation and thanks to investments in digitisation it has proved possible to work remotely with the same level of efficiency and productivity. The use of digitised infrastructures that contribute to the normal operation of production assets, the continuity of the electricity supply and the remote management of all activities relating to the market and customer relations have all become standard. Likewise, measures and procedures have been applied that are helping to work safely and reduce the risks of infection. Although the official preference for remote work over face-to-face work based on the aforementioned Royal Decree Law ended on 21 September 2020, At the date of formulation of this Consolidated Management Report, ENDESA's employees who were working outside the office ("TFO") continue to do so.

Financial and economic impacts of COVID-19.

In this context, ENDESA as part of its commitment to society, designed a Public Responsibility Plan, endowed with Euros 25 million, for direct aid for the purchase of material, special supply conditions and donations to alleviate the main health and social needs caused by the COVID-19 health crisis, as well as programmes to support the relaunch of the economy in the worst affected segments. During the 2020 financial year, this Plan accrued in and paid its entirety (See Notes 27, 32.1, 33.2.1 and 38 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2020 and Sections 2.3.2. Operating Costs, 2.3.7. Net Income and 4.4. Cash Flows of this Consolidated Management Report.)

Taking into account the complexity of the markets due to their globalisation and the time needed for vaccines to reach a substantial proportion of the population, the current context has changed the probability and impact of some of the risks to which ENDESA is exposed, although the consequences for ENDESA's operations are still uncertain and will depend to a large extent on how the pandemic evolves in the coming months, as well as on the responsiveness and adaptability of all the economic agents affected.

Based on this, and in compliance with the recent recommendations by the European Securities and Markets Authority (ESMA) of 11 March 2020, ENDESA, launched an internal analysis to assess the actual and potential impact of COVID-19 on its business activities, financial situation and economic performance, basically concerning the following dimensions of analysis:

- Forecast of potential macroeconomic impacts.
- Forecast of the potential prices of electricity and gas in the energy markets and other commodities.
- Estimation of the impacts on the demand for electricity and gas.
- Analysis of possible delays in supplies and fulfilment of contracts, at the supply chain level.
- Monitoring of financial markets and liquidity situation.

Among the risk factors that affect ENDESA and that could be exacerbated by present and future resurgences of the virus or by the extension of the economic crisis, the following stand out:

- Adverse economic conditions due to the crisis following the COVID-19 pandemic may prolong the negative impact on demand for electricity and gas in the coming months. In this respect, during 2020, cumulative mainland demand for electricity decreased by 5.1% compared with the same period of the previous year, cumulative demand for electricity in the Non-mainland Territories (“TNP”) fell by 13.7% and demand for conventional gas fell by 5.3%.
- Variations in demand as a result of possible resurgences of COVID-19 could affect electricity and natural gas supply contracts, or associated hedges, since these are signed on the basis of certain assumptions regarding future market prices for electricity and natural gas.
- ENDESA's business activities are carried out in an environment of fierce competition. ENDESA's ability to contract new clients and to sign value-added service contracts could continue to be affected by the limitations imposed by the management of the health crisis which limits physical visits to clients. At 31 December 2020, ENDESA had 5,690,390 electricity customers in the deregulated market, 2.4% fewer than at 31 December 2019. On that same date, the number of ENDESA's gas customers in the deregulated market was 1,440,358, 1.5% more than at 31 December 2019.
- The adverse economic conditions due to the crisis caused by the COVID-19 pandemic may have a negative impact on the ability of ENDESA's customers to meet their payment commitments. Along these lines, Royal Decree Law 26/2020 of 7 July on economic reactivation measures to face the impact of COVID-19 in the areas of transport and housing, which entered into force on 9 July, extended to 30 September 2020 the period in which, exceptionally, the supply of electricity and gas to the principal residence of private individual customers could not be cut off for reasons other than safety. Finally, by means of Royal Decree Law 37/2020 of 22 December on urgent measures to face situations of social and economic vulnerability in the field of housing and in the field of transport, during the State of alarm prohibited the suspension of supply to consumers who were severely vulnerable or at risk of social exclusion, and this prohibition was extended to consumers who, without being able to prove ownership of the supply contract, comply with the requirements established in Royal Decree 897/2017 of 6 October.

During 2020, the largest provisions recorded in trade customers related to the impact of COVID-19 amounted to Euros 50 million.

- Greater impact of the virus on the population and, consequently, the approval of regulations referring to a limitation of people's mobility or a new confinement, could be limiting factors for ENDESA, due to its need to have contractors to carry out work. In this sense, the actions carried out on the supply chain have made it possible to continue with the investment effort that ENDESA is carrying out without significant incidents. Gross material investments in 2020 amounted to Euros 1,589 million and no material impacts are expected to be caused by the pandemic with respect to start dates of projects.

- The prolongation of the current health situation deriving from COVID-19 in the coming months could limit ENDESA's access to the financial markets and change the terms on which it obtains financing, consequently affecting its business activities, results, financial position and cash flows. To this end, ENDESA has a solid financial position and unconditional credit lines contracted with first-rate entities available for significant amounts. This, together with the implementation of specific plans for the improvement and efficient management of liquidity, is expected to allow it to confront the impact caused by the difficulties of the economic situation (see Section 4.1 Financial Management in this Consolidated Management Report).

Overall, during the 2020 financial year, the effects described above have meant a reduction in the gross operating profit (EBITDA) and in the operating profit (EBIT) of approximately Euros 120 million and Euros 170 million respectively, in addition to the expenses accrued by the Public Responsibility Plan amounting to Euros 25 million.

At the date of formulation of this Consolidated Management Report, it is not possible to make a precise estimate of the possible future impacts of COVID-19 on ENDESA's results during the coming months due, among other aspects, to the uncertain future evolution of macroeconomic variables, financial and commercial measures and their impact on the recovery of the economy, as well as the regulatory measures currently in force and any additional measures that may be adopted in the future by the competent authorities.

In the same way that has been done to date, in the coming months, constant monitoring of developments and continuous monitoring of changes in macroeconomic, financial and trade variables will continue in order to update the estimate of possible impacts in real time, as well as allowing, where appropriate, their mitigation with reaction and contingency plans.

7.2. Risk Management and Control General Policy

The Risk Management and Control General Policy establishes the basic principles and the general framework of management and control of risks of all kinds that might affect the attainment of its objectives, ensuring that they are systematically identified, analysed, evaluated, managed and controlled within the established levels of risk. The Risk Management and Control General Policy identifies the various different types of risk, financial and non-financial, (inter alia, operational, technological, legal, social, environmental, political and reputational, including those related to corruption) that the company is exposed to, including among financial or economic risks, contingent liabilities and other off-balance sheet risks.

The Risk Management and Control General Policy seeks to guide and steer the set of strategic, organisational and operational actions that allow the Board of Directors of ENDESA S.A. to precisely delineate the acceptable level of risk, so that the managers, staff and service functions of the various Business Lines can maximise the profitability of the Company, preserve or increase its equity and ensure a given degree of achievement, preventing uncertain and future events from having a negative influence on the achievement of the company's profitability objectives, its operations, sustainability, resilience or reputation in a sustained manner over time, providing an adequate level of guarantees to shareholders and safeguarding their interests, as well as those of customers and other stakeholders.

The Risk Management and Control General Policy is implemented and supplemented by other risk policies specific to the Business Line, staff and service functions, as well as by limits established for optimal risk management in each of them.

The Risk Control and Management General Policy is implemented through an Internal Control and Risk Management System (Spanish acronym: "SCIGR"), which comprises an organisation, principles, a regulatory system and a risk control and management process.

The Internal Control and Risk Management System conforms to a model based on the one hand on an ongoing study of the risk profile, applying current best practices in the energy or benchmark sectors as regards risk management, homogeneous measurement criteria within the same type of risk, segregation of risk managers and controllers, and, on the other hand, on ensuring a link between the risk assumed and the resources needed

to operate the businesses, always maintaining an appropriate balance between the risk assumed and the objectives set by the Board of Directors of ENDESA, S.A.

The Company's risk control and management model is aligned with international standards following a methodology based on the three lines of defence model.

The organisation of the Internal Control and Risk Management System is implemented through independent risk management and control functions that ensure adequate segregation of duties. The main governing bodies in the risk control process are:

- **Crime Risk Prevention Model Supervisory Committee:** This is a collegiate body with autonomous powers of initiative and control with regard to criminal risks, which is directly supervised by the Audit and Compliance Committee (CAC). It supervises compliance and updating of the model for preventing risks of crime for which ENDESA, S.A. may be held liable.
- **Transparency Committee:** The Transparency Committee is presided by the Chief Executive Officer and consists of the top executives of ENDESA, including all members of the Executive Management Committee together with other members of ENDESA management directly involved in the preparation, verification and disclosure of financial and non-financial information. Its main objective is to ensure compliance and correct application of the general principles of financial and non-financial information (confidentiality, transparency, consistency and responsibility), to evaluate the facts, transactions, reports or other relevant aspects that are communicated abroad, as well how to determine the form and deadlines for presenting public information. The Transparency Committee is also the ENDESA management body that evaluates the conclusions on compliance and effectiveness of the Internal Control over Financial Reporting (ICFR) and internal controls and procedures for external dissemination of information, formulating corrective and/or preventive actions in this regard. The conclusions of the Transparency Committee are then forwarded to the Audit and Compliance Committee (CAC).
- **Risk Committee.** The Risk Committee supervises the management and monitoring of all risks other than those of a criminal nature and those related to the Internal Control over Financial Reporting (ICFR), referring the results of its deliberations and conclusions to the Audit and Compliance Committee

The Risk Management and Control General Policy defines the Internal Control and Risk Management System ("SCIGR") as an interwoven system of rules, processes, controls and reporting systems in which overall risk is defined as the risk resulting from the overall view of all risks to which the Company is exposed, taking into account the mitigating effects for the various exposures and risk classes, allowing for consolidation and appraisal of risk exposure of the Company's various business units and the development of the corresponding management information for taking decisions on risk and the appropriate use of capital.

The risk control and management process consists in the identification, evaluation, monitoring and management over time of the various risks, and takes account of the main risks to which the Company is exposed, whether of internal or external origin:

- **Identification:** The purpose of the risk identification process is to generate the risk inventory based on events that could prevent, degrade or delay the achievement of the objectives. The identification must include risks whether their origin is under the control of the organisation or whether it is due to unmanageable external causes.
- **Evaluation:** The objective is to obtain the parameters that allow the measurement of the economic and reputational impact of all risks for their subsequent prioritisation. Evaluation includes different methodologies according to the characteristics of the risk, such as the assessment of scenarios and the estimation of potential loss based on an assessment of impact distributions and probability.
- **Monitoring:** The objective is to monitor the risks and establish management mechanisms allowing the risks to be kept within the established limits and the appropriate management actions to be taken.

- **Management** The objective is the performance of the actions aimed at keeping risk levels at optimum levels and in any case within the established limits.

The Risk Management and Control General Policy set and approved by the Board of Directors of ENDESA, S.A., constitutes the central element of the system from which other specific documents and policies are derived, for example, the “Policy on Management and Control of Tax Risks” and the “Criminal Compliance and Anti-Bribery Policy”, which are approved by the Board of Directors of ENDESA, S.A. and in which catalogues of risks and controls are defined.

In addition, in view of the growing interest in the control and management of the risks to which companies are exposed and given how complicated it is becoming to identify them from a comprehensive point of view, it is important for employees to take part at all levels in this process. In this regard a risk mailbox has been created for employees to help identify market risks and come up with suggestions for measures to mitigate them, thereby complementing the existing top-down Risk Management and Control systems and mailboxes and specific procedures for reporting breaches of ethical behaviour, criminal risks, tax risks and employment risks.

Information regarding ENDESA’s risk management and derivative financial instruments is provided in Notes 18.3 and 19 to the Consolidated Financial Statements for the year ended 31 December 2020.

The Annual Corporate Governance Report, which describes ENDESA’s risk management and control systems, forms an integral part in this Consolidated Management Report (see Section 15. Annual Corporate Governance Report required by Article 538 of Royal Decree Law 1/2010 of 2 July 2010 approving the Consolidated Text of the Spanish Corporate Enterprises Act, in this Consolidated Management Report).

7.3. ENDESA's Criminal and anti-bribery risk prevention model

ENDESA, S.A. is aware that the sustainable fulfilment of its corporate responsibilities must be accompanied by a constant quest for excellence in the areas of business ethics in all its decision-making processes, something that must be understood in a corporate environment where strict respect for the most advanced national and international rules, practices and principles in this area is one of the cornerstones of its business activities.

As regards the prevention of criminal behaviour, Organic Law 5/2010 of 22 June, amending Organic Law 10/1995 of 23 November on the Criminal Code not only included offences applicable to legal persons, but also referred to the need to establish surveillance and control measures to prevent and detect them. This legal regime was reformed by Organic Law 1/2015 of 30 March detailing the requirements for management and control systems that allow legal persons to prove their diligence in the field of criminal prevention and detection. Organic Law 1/2019, of 20 February again amended Organic Law 10/1995 of 23 November on the Criminal Code, to transpose European Union Directives in the fields of finance and terrorism and to address international issues.

In line with these legal requirements, ENDESA, S.A. has developed internal regulatory instruments that have satisfied the need for adequate control and management systems applied in the area of criminal detection and prevention, particularly in conduct aimed at preventing bribery.

This system comprises the following standards applicable to ENDESA:

- Criminal Risk Prevention and Anti-Bribery Model: A document that provides ENDESA with a control system for preventing criminal offences within the company, complying with the provisions of the applicable regulations on the criminal liability of legal persons.
- Protocol in case of an Authority’s Action under Article 31 bis of the Criminal Code: Procedure for an appropriate response in case of risk of criminal responsibility of any ENDESA, S.A. company.
- Code of Ethics of the Company: A document setting out the ethical commitments and responsibilities in the management of the businesses and business activities, assumed by ENDESA’s employees, whether Directors or employees of any kind, in these companies.

- Zero Tolerance Plan with Corruption: A document that represents ENDESA's firm commitment to the fight against corruption, which is the result of its adherence to the United Nations Global Compact.
- Corporate Integrity Protocols:
 - Action protocols in matters of conflicts of interest, exclusive dedication and commercial competition
 - Protocol for accepting presents, gifts and favours
 - Action protocol for dealing with civil servants and the authorities

The Criminal and Anti-Bribery Compliance Policy was added to these internal rules. Together with those mentioned above, they all make up ENDESA, S.A.'s Criminal Regulatory and Anti-Bribery Compliance Management System, an integrated body of provisions that not only respects Spanish legal requirements in this area, but is also sufficient to meet the expectations reasonably placed on organisations that operate with the highest levels of commitment in advanced markets, such as ENDESA, S.A.

Since October 2017, ENDESA, S.A.'s Criminal and Anti-bribery Compliance Management System has been certified by the Spanish standards body AENOR in accordance with “UNE 19601” (Compliance Management) and “UNE-ISO 37001” (Anti-bribery Management) Standards.

Verification of the correct application of the “Criminal Regulatory and Anti-Bribery Compliance Management System” corresponds to the Audit and Compliance Committee, for which purposes it uses the Supervision Committee, which is a collegiate body endowed with autonomous powers of initiative and control and independence in the exercise of its functions and whose powers and principles of action are established in its Regulations. The Supervision Committee reports solely and exclusively to the Audit and Compliance Committee (CAC), which has specific functions including the prevention of criminal risks according to its operating Regulations.

During the 2020 financial year, all the processes established for the correct application of the Code of Ethics were fully complied with by the Company.

During 2020, ENDESA received, either through the Ethics Channel or by other means, a total of four whistleblowing reports of different types, three of them relating to corruption and/or fraud. The investigation of all of them is closed at the date of formulation of this Consolidated Management Report.

Of the reports received and closed relating to corruption and/or fraud, no breaches of the Code of Ethics were verified.

7.4. The Internal Control System for Financial Reporting (ICFR).

The quality and reliability of the financial reporting 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 to it, such that the dissemination of incorrect or low quality financial information could cause a significant decrease in the value of the Company, with the consequent damage to its shareholders.

The Internal Control System for Financial Reporting (ICFR) is a component of the company's internal control system and consists of a complete set of processes that ensure reasonable certainty regarding the reliability of both internal and external financial information. The ENDESA Internal Control Unit is the area responsible for identifying the most relevant processes, activities, risks and controls of the Internal Control System for Financial Reporting (ICFR) that it considers material to provide reasonable assurance that the information disclosed externally by ENDESA is reliable and appropriate.

The documentation of the processes forming part of the Internal Control System for Financial Reporting (ICFR) of ENDESA contains detailed descriptions of the activities relating to the preparation of financial information from its beginning to its registration in accounting and its subsequent external publication, through its formulation and process and has been prepared with the following basic objectives:

- Identify the critical processes linked directly and indirectly to the generation of financial information.
- Identify the risks inherent in the processes that could generate material errors in the financial information (typically related to the attributes of integrity, validity, recognition, accounting period, valuation and presentation).
- Identify and characterise the controls established to mitigate these risks.

Every six months, ENDESA carries out an evaluation process of the Internal Control System for Financial Reporting (ICFR) in which each person responsible for the controls of the ICFR evaluates both its design and its effectiveness. Within the model, an ongoing verification process of the ICFR is also carried out by an independent expert. The results of both processes are reported to:

- a) The Board of Directors, to which in accordance with the Corporate Enterprises Act the power of supervision of internal information and control systems is reserved; and
- b) The Audit and Compliance Committee, which, in accordance with the Corporate Enterprises Act has among its functions the supervision of the effectiveness of the internal control of the Company.

The Code of Good Governance of listed companies, approved by the CNMV in June 2020, establishes as the competence of the Audit Commission the supervision and evaluation of the process of preparation and integrity of non-financial information. Non-financial information must be formulated with the same veracity and integrity requirements as financial information, therefore an adequate Internal Control System must be guaranteed. For the financial year 2020, it was decided to apply to non-financial information, with additional specific controls, ENDESA's Internal Control System for Financial Information (ICFR), which since 2006 has been configured as a reliable and effective system to guarantee integrity and veracity of financial information.

7.5. Risk control and management.

ENDESA has established a process of control and management of risks that allows it to obtain a complete vision of all the risks to which it is exposed, considering the mitigation effects between the different exposures and categories thereof, as well as the preparation of the corresponding management information for decision making in terms of risk and appropriate use of capital.

The Risk Committee supervises the management and monitoring of all risks excluding those of a criminal nature and those related to the Internal Control System for Financial Reporting (ICFR). The mission of the Risk Committee is:

- Actively participate in drawing up the risk strategy and in important decisions regarding its management;
- Ensure the proper functioning of the Risk Management and Control systems, identifying, managing and adequately quantifying the significant risks affecting the Company;
- Ensure that the Internal Control and Risk Management System (ICFR) mitigates risks appropriately;
- Ensure that senior management participates in strategic risk management and control decisions;
- Regularly provide the ENDESA, S.A. Board of Directors with an integrated view of current and foreseeable risk exposure;
- Ensure coordination between the risk management units and the units in charge of their control;
- Promote a culture in which risk is considered as a factor to be taken into account in all decisions and at all levels of the Company.

The Risk Control Area is the area delegated by the Risk Committee to define the procedures and norms of the Internal Control and Risk Management System ("SCIGR"), to ensure that all the risks in its area of responsibility that affect the entity are homogeneously and periodically identified, characterised, quantified and properly managed, including off-balance sheet risks, and to monitor risk exposure and the control activities implemented.

Following the provisions of the internal operating instructions, the Risk Control area is responsible for developing, for the risks in its scope of application:

- **ENDESA, S.A.’s Risk Appetite Framework**, which determines the main risk indicators, the risk levels considered acceptable and management and mitigation mechanisms and is approved by the Board of Directors of ENDESA S.A.
- **ENDESA’s Risk Map**, which provides a prioritised view of the significant risks and is approved by the Board of Directors of ENDESA, S.A.
- **Follow-up Reports**, which guarantee compliance with the limits set and the effectiveness of mitigation measures to respond to risks, and the conclusions of which are periodically reported to the Audit and Compliance Committee (“CAC”).

To carry out its functions, Risk Control relies on other areas and committees that have specific and complementary risk management and control models and policies. Thus, for example, in tax matters, the Board of Directors of ENDESA, S.A. has also approved a Policy for the Management and Control of Tax Risks that seeks to guide and direct all the strategic, organisational and operational actions that allow the managers of the Tax Affairs Unit and of the different areas of the organisation whose functions affect the company’s taxation to achieve the objectives set by the company’s Tax Strategy regarding the control and management of tax risks.

7.6. Main risks and uncertainties

ENDESA’s activities are carried out in a context in which external factors may affect the performance of its operations and its earnings.

With the global expansion of the economic crisis, which had its origin in the COVID-19 health crisis (see Notes 2.2.1 and 38 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2020 and Section 7.1. COVID-19 Health Crisis of this Consolidated Management Report), ENDESA faces greater uncertainty and its business could be affected by adverse economic and political conditions in Spain, Portugal, the rest of the euro zone and in international markets.

The main risks that may affect ENDESA’s operations, including those deriving from the COVID-19 health crisis, mentioned above, are summarised below:

| Risk | Section | Description | Metric | Significance (3) |
|-------------------|---------------------------------|--|----------------|------------------|
| Strategic Risks | e.4, a.1, a.2, a.3, a.4 and a.5 | Risk of potential losses in value or earnings due to strategic uncertainties, uncertainties in respect of the competitive environment, macroeconomic, social or political conditions, alterations in the regulatory framework, including those linked to climate change, which ensure the sustainability of ENDESA and its stakeholder appeal. | Scenarios (1) | High |
| | b.1 and b.2 | ENDESA’s business is largely dependent on the constant supply of large amounts of fuel to generate electricity; on the supply of electricity and natural gas used for its own consumption and supply; and on the supply of other commodities, the prices of which are subject to market forces which may affect the price and the amount of energy sold by ENDESA. | Stochastic (2) | High |
| Financial risks | b.3 | ENDESA’s activities could be affected by natural resources, climate and weather conditions. | Stochastic (2) | Medium |
| | b.4 and b.5 | Interest rate risks and free cash flow (liquidity). | Stochastic (2) | Low |
| | b.6 | ENDESA is exposed to credit risk. | Stochastic (2) | High |
| | b.7 | ENDESA’s business could be negatively affected by inability to maintain its relations with suppliers or because the supply of suppliers available was insufficient in terms of quantity and/or quality, or due to suppliers’ failing to maintain the conditions of service provided, limiting the possibilities of operability and business continuity. | Stochastic (2) | Low |
| Operational Risks | c.1 | ENDESA is exposed to risks associated with the construction of new electricity generation and supply facilities. | Scenarios (1) | Low |
| | c.2 and c.3 | ENDESA’s activity may be affected by failures, breakdowns, problems in carrying out the planned work, or other problems that may result in unscheduled unavailability and other operational risks. | Scenarios (1) | Medium |
| | c.4 and c.5 | Risk related to Occupational Health and Safety of people working for ENDESA, S.A., talent management, as well as the difficulty of maintaining an appropriate working climate. | - | (4) |
| Other Risks | d.1 | ENDESA manages its activities through information technologies, key to its business, that could be affected by external attacks. | - | (4) |
| | d.2, d.3, d.4, d.5, d.6 and d.7 | Risk arising from the breach of mandatory rules, legal risk or uncertainty as to legal actions that might be brought by third parties, particularly public authorities, in relation to compliance and interpretation of obligations, contracts or laws and regulations. This risk is associated with both compliance with regulations in force as well and changes in the interpretation of such regulations (civil, commercial, criminal, tax, etc.). | - | (4) |
| | d.8 | The risk of the perception, assessment or opinion of the Company on the part of the main sectors of the public with which it interacts being seriously damaged by the Company’s actions, by events wrongly or unfairly attributed to it, or by events of a similar nature that affect the entire sector and are projected onto the Company in a more pointed or damaging fashion. | - | (4) |

(1) Scenario: calculated as the loss resulting from different hypothetical situations.

(2) Stochastic: calculated as the loss that could be suffered with a certain level of probability or confidence.

(3) The significance of the risks is measured based on the potential expected loss: High (over Euros 75 million), Medium (between Euros 10 million and Euros 75 million) and Low (less than Euros 10 million).

(4) They correspond to risks whose impact could be difficult to quantify economically (in general, high impact and probability, after the mitigation mechanisms implemented, very low or very difficult to determine).

a) Strategic risks.

a.1. ENDESA's activities are subject to extensive regulation, and regulatory changes could have an adverse impact on its business activities, results, financial position and cash flows.

ENDESA's activities are subject to extensive regulation regarding tariffs and other factors of its activities in Spain and Portugal, which in many regards determines how ENDESA carries on its activity and the income it receives from its products and services.

ENDESA is subject to a complex set of regulations applied by both public and private agencies, including Spanish National Commission on Markets and Competition ("CNMC"). The introduction of new standards, or the amendment of those already in effect could have a negative impact on ENDESA's business, results, financial position and cash flows.

Information regarding sectoral regulation may be found in Section 3. Regulatory Framework in this Consolidated Management Report, and in Note 4 to the Consolidated Financial Statements for the year ended 31 December 2020.

In addition, the EU has established an operating framework for the various Member States, which includes, *inter alia*, objectives related to emissions, efficiency and energy from renewable sources.

The introduction of new requirements, or amendments to existing ones, could adversely affect ENDESA's business activities, results, financial positions and cash flows if it were to be unable to adapt and manage correctly the environment arising from them.

Information on likely trends in the new economic and industrial model and ENDESA's Strategic Plan may be found in Sections 6.1. Energy Policy Context and 6.2. Strategic Lines of Action in this Consolidated Management Report).

a.2. The Company is affected by changes in the climate deriving from human action and which have an impact on both physical aspects and those relating to the transition.

ENDESA maintains a firm commitment in the fight against climate change and therefore decisions are made at the highest level of Management. Climate change is one of the main pillars of the Company's strategy, and it is the Board of Directors that is responsible for its development and implementation (see Notes 2.2.2 and 39 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2020).

As proof of this commitment, ENDESA has assumed the objective of achieving a mix of emission-free generation in 2050 and a reduction of specific carbon dioxide (CO₂) emissions of 80% in 2030 relative to 2017. These objectives, which involve the evolution of the existing generation facilities towards an emission-free model, imply the alignment of the company with the objectives of the Paris Agreement and with the latest findings of Science.

In developing the business strategy, ENDESA uses scenarios on climate change. For the physical risks, the climate scenarios published in the fifth report of the Intergovernmental Panel on Climate Change (IPCC) are used, while for the transition risks, the latest versions documents of the National Integrated Energy and Climate Plans ("PNIEC") of Spain and Portugal are used.

ENDESA is exposed to risks related to climate change (physical and transition), which are evaluated at three-time horizons: short, medium and long term. The effects of climate change are already noticeable in the global socio-economic reality and, in the most likely scenario, will have significant consequences for the viability and development of sectors such as energy. Climate change planning must necessarily incorporate a new vision in which the transition to a decarbonised economy and adaptation to its effects are integrated into the decision-making process.

Climate change has consequences for the operation of assets due to physical risks such as the increase in temperature, the availability of renewable resources (water, wind and sun) and the frequency and intensity of extreme events.

The transition risks associated with climate change affect the price of commodities (coal, gas, oil, etc.) and can cause regulatory changes that modify or preclude the operation of the most carbon-intensive assets, which imply a high price within the framework of the Emissions Trading Regime, hindering the operation of the most carbon-intensive technologies and making it difficult for electricity to compete with other energy alternatives which do not have to pass on the cost of CO₂ emission rights.

Additionally, climate change promotes and encourages the development and extensive use of technologies such as renewable energy, energy storage through batteries, energy efficiency and smart grids, which requires monitoring and leading innovation, as well as new investments to maintain the competitive position of the Company and protect the image of ENDESA in a context in which society's and customers' perceptions of its contributing to or turning its back on organising the transition to an economy with low CO₂ emissions are subject to change.

To mitigate the physical risks, specific procedures are established for emergency management, with the aim of restoring the operation of activities in the shortest time possible, as well as standard checklists for damage assessment. The mitigation of transition risks is carried out through the regulatory management developed by ENDESA, as well as the monitoring and participation in technological innovation projects in all areas of the company's activity.

a.3. ENDESA makes decisions that affect the future of the company and its sustainability. These decisions are subject to significant risks, uncertainties, changing circumstances and other factors that may be beyond ENDESA's control or difficult to predict.

ENDESA presents each year its Strategic Plan, which includes the strategic guidelines and objectives for the company's economic, financial and equity growth, as well as its contribution to society.

The main assumptions on which the forecasts and objectives of the Strategic Plan are based are related to:

- The regulatory environment, exchange rates, commodities, investments and divestments, increases in production and installed capacity in markets where ENDESA operates and increases in demand in such markets;
- The allocation of production among the different technologies, with increases in costs associated with greater activity that do not exceed certain limits, with a price of electricity not less than certain levels, with the cost of combined cycle plants and with the availability and cost of raw materials and CO₂ emission rights necessary to operate the business at the desired levels; and the general evolution of the social, environmental and ethical trends of the context in which it operates, among which we would mention factors relating to loss of biodiversity, terrorism, water stress, cyber-security, inequality and social instability, structural unemployment, infectious diseases, extreme political conflicts, extreme weather phenomena, environmental disasters and climate change.

ENDESA cannot guarantee that its prospects will be fulfilled in the terms communicated, since these are based, among other issues:

- On assumptions relating to future events that Management expects to occur and on actions that the Management itself plans to perform at the time of writing; and
- On general assumptions regarding future events and actions of the Management itself that do not necessarily have to come about and that depend substantially on variables beyond the control of Management.

The ENDESA Strategic Plan foresees a significant investment effort in electricity production and distribution systems and facilities. The execution of these investments is dependent on market and regulatory conditions. If the necessary conditions for the viability of the plants do not exist, ENDESA may have to cease production at the facilities and, if necessary, begin the task of dismantling them. These closures would involve a reduction in installed capacity and output that support customer energy sales and, therefore, could adversely affect ENDESA's business activities, results, financial position and cash flows.

Consequently, and in accordance with accounting standards, ENDESA assesses throughout the year and in any case at the end of each year whether there is any indication that a non-financial asset may be impaired. If any such indication exists, the Company estimates the asset's recoverable amount to determine the extent of any impairment loss. Information on impairment losses on non-financial assets recognised in 2020 is provided in Notes 3e.4 and 6.4 to the Consolidated Financial Statements for the year ended 31 December 2020.

Information on ENDESA's Strategic Plan is provided in Section 6. Outlook of this Consolidated Management Report and the information relating to ENDESA's commitment to sustainable development is contained in Section 8. Sustainability Policy of this Consolidated Management Report.

a.4. ENDESA's business could be affected by adverse economic or political conditions in Spain, Portugal, the euro zone and in international markets.

Adverse economic conditions could have a negative impact on energy demand and the ability of ENDESA's consumers to fulfil their payment obligations. In times of economic recession, as experienced by Spain and Portugal in recent years, electricity demand usually falls off, adversely affecting the Company's results.

If the economic situation in Spain, Portugal or other euro zone economies deteriorates, it could adversely affect energy consumption and, consequently, ENDESA's business activities, financial position, operating results and cash flows would be negatively affected.

Apart from this, the financial conditions in the international markets pose a challenge for ENDESA's economic situation due to the potential impact on its business of the level of public debt, low growth rates, the rating of sovereign bonds at the international level and in particular in euro zone countries, and the monetary expansion measures in the credit market. Changes in any of these factors could affect ENDESA's access to capital markets and the terms on which it obtains financing, consequently affecting its business activities, results, financial position and cash flows.

In addition to any economic problems which could arise at the international level, ENDESA faces a situation of uncertainty at the political level, in Spain and internationally, which could adversely affect the Company's economic and financial position. Specifically, it is considered that the impact of Brexit and other international events is not material for ENDESA.

ENDESA cannot guarantee that the international or euro zone economic situation will not deteriorate, or that an event of a political nature will not have a significant impact on the markets, thus affecting its business, its economic situation, results and cash flows.

a.5. ENDESA is exposed to competition in its commercial activities.

ENDESA maintains relationships with a large number of customers, 10.4 million electricity customers and 1.7 million gas customers at 31 December 2020 (see Section 2.6. Statistical Appendix to this Consolidated Management Report).

ENDESA's business activities are carried out in an environment of fierce competition. Although ENDESA's losing individual customers would not have a significant impact on its business as a whole, inability to maintain stable relationships with customers could adversely affect ENDESA's business, results, financial position and cash flows.

b) Financial risks.

b.1. ENDESA's business is largely dependent on the constant supply of large amounts of fuel to generate electricity; on the supply of electricity and natural gas used for its own consumption and supply; and on the supply of other commodities, the prices of which are subject to market forces which may affect the price and the amount of energy sold by ENDESA.

The margin on ENDESA's deregulated businesses in 2020 was Euros 2,926 million, most of which corresponds to deregulated activities subject to the effects of competition and market volatility. These activities require purchases of gas, electricity and raw materials, as follows:

- During 2020, 996 metric tons of coal and 1,583 million m³ of natural gas were consumed for in generating electricity.

- At 31 December 2020, electricity and fuel stock purchase commitments amounted to Euros 18,027 million, a portion of which corresponds to agreements with "take or pay" clauses (see Section 4.6. Contractual Obligations and Off-Balance Sheet Transactions of this Consolidated Management Report).

ENDESA is exposed to market price risks in relation to the purchase of fuel (including gas and coal) and the price of carbon emission rights required to generate electricity, for procuring gas and for supply activities. In this connection, fuel price fluctuations in international markets may affect the contribution margin.

ENDESA has entered into electricity and natural gas supply contracts based on certain assumptions regarding future market prices for electricity and natural gas. Any deviation from the assumptions made when these supply contracts were signed could give rise to an obligation to purchase electricity or natural gas at prices that are higher than those envisaged in the contracts. In the event of a market price adjustment relative to the estimates made, a deviation in ENDESA's assumptions relative to its fuel needs, or a regulatory change affecting prices as a whole and how they have been established, and if its risk management strategies were inadequate in the face of such changes, ENDESA's business activities, results, financial position and cash flows could be affected adversely.

ENDESA has signed certain natural gas supply contracts which include binding "take or pay" clauses which compel it to either acquire the fuel it has agreed to contractually or to pay even if it does not acquire such fuel. The terms of these contracts have been established based on certain assumptions regarding future electricity and gas demand. Any deviation from the assumptions used could give rise to an obligation to purchase more fuel than necessary or to sell excess fuel on the market at current prices.

Information on energy stock purchase commitments is provided in Section 4.6. Contractual Obligations and Off-Balance Sheet Transactions in this Consolidated Management Report and Note 11 to the Consolidated Financial Statements for the year ended 31 December 2020.

b.2. ENDESA is exposed to foreign currency risk.

ENDESA is exposed to foreign currency risk, mainly in relation to the payments it must make in international markets to acquire energy-related commodities, especially natural gas and international coal, where the prices of these commodities are usually denominated in US dollars.

Therefore, this means that fluctuations in the foreign exchange rate could adversely affect ENDESA's business activities, results, financial position and cash flows.

Information relating to currency risk and an exchange rate sensitivity analysis are provided in Note 19.2 to the Consolidated Financial Statements for the year ended 31 December 2020.

b.3. ENDESA's activities could be affected by natural resources, climate and weather conditions.

ENDESA's electricity production depends on levels of natural resources, availability of plants and market conditions. The production of renewable power plants depends on levels of rainfall, sunshine and wind existing in the geographical areas where the hydroelectric, wind and photovoltaic generation facilities are located. Therefore, if there are droughts or low levels of wind or sunshine or other circumstances adversely affecting generation from renewable sources, ENDESA's business, results, financial position and cash flows could be adversely affected.

Demand not covered by renewable sources is produced by thermal power plants, whose production, as well as their margin, depends on the competitiveness between different technologies. A year with low rainfall, few hours of sunshine or little wind leads to a decline in hydroelectric, solar or wind output, in turn increasing the output of thermal power plants, at greater cost, and therefore an increase in the price of electricity and costs of buying energy. In a wet year, with more sunshine and wind, the opposite effects occur. In the event of adverse conditions due to low levels of resources, electricity generation will come more from thermal plants and ENDESA's operating expenses will increase. ENDESA's inability to manage changes in natural resource conditions could adversely affect its business, results, financial position and cash flows.

In an average year, it has been estimated that hydroelectric production can vary by $\pm 28\%$, wind by $\pm 5\%$ and photovoltaic by $\pm 1\%$. Thus, in 2020 the generation of electricity in hydroelectric plants in ENDESA was 7,681 GWh, whereas for an equivalent power, the production in 2019 was 5,861 GWh.

Information concerning ENDESA's electricity production (GWh) by technology can be found in Section 2.6. Statistical Appendix to this Consolidated Management Report.

Weather conditions and in particular seasonality have a significant impact on demand for electricity, with electricity consumption peaking in summer and winter. Seasonal changes in demand are attributed to various weather-related factors such as the climate, the amount of natural light, and the use of light, heating and air conditioning. Changes in demand due to weather conditions can have a significant effect on the profitability of the business. Additionally, ENDESA must make certain projections and estimates regarding weather conditions when negotiating its contracts and a significant divergence in rainfall and other weather conditions envisaged could adversely affect ENDESA's business, results, financial position and cash flows.

Likewise, adverse weather conditions could impact the regular supply of energy due to damage to the network, with the resulting interruption in services which could compel ENDESA to compensate its customers due to delays or disruptions in the supply of energy.

The occurrence of any of the foregoing circumstances could adversely affect its business, results, financial position and cash flows.

b.4. ENDESA is exposed to interest rate risk.

Interest rate fluctuations change the fair value of assets and liabilities bearing interest at fixed rates and the future flows from assets and liabilities indexed to variable interest rates. Changes in interest rates could adversely affect ENDESA's business, results, financial position and cash flows.

At 31 December 2020, gross financial debt amounted to Euros 7,309 million. 65% of gross financial debt before cash flows and fair value hedges accrued interest at a fixed rate, while the remaining 35% was referenced to variable interest. Borrowings at floating interest rates are mainly linked to EURIBOR.

Taking account of cash flow hedges considered effective, 63% of gross financial debt was protected from interest rate risk at 31 December 2020. Taking account of fair value hedges too, this percentage was 63% at 31 December 2020.

Information relating to interest rate risk and an interest rate sensitivity analysis are provided in Note 19.1 to the Consolidated Financial Statements for the year ended 31 December 2020.

b.5. ENDESA's business depends on its ability to obtain the funds necessary to refinance its debt and finance its capital expenditure.

ENDESA is confident that it will be able to generate funds internally (self-financing), access bank financing through long-term credit lines, access short-term capital markets as a source of liquidity and access the long-term debt market in order to finance its organic growth programme and other capital requirements, including its commitments arising from the ongoing maintenance of its current facilities. Furthermore, ENDESA occasionally needs to refinance its existing debt. This debt includes long-term credit lines, obtained from banks as well as companies of the ENEL Group, and financial investments.

If ENDESA were to be unable to access capital on reasonable terms, refinance its debt, settle its capital expenses and implement its strategy, the Company could be adversely affected. Turmoil on the capital markets, a possible reduction in ENDESA's creditworthiness or possible restrictions on financing conditions imposed on the credit lines in the event that financial ratios were to deteriorate, could increase the Company's financing costs or adversely affect its ability to access the capital markets.

A lack of financing could force ENDESA to dispose of or sell its assets to offset the liquidity shortfall in order to pay the amounts owed and this sale could occur in circumstances that prevent ENDESA from obtaining the best price for said assets. Therefore, if ENDESA were unable to access financing on acceptable terms, its business, results, financial position and cash flows could be adversely affected.

At 31 December 2020, ENDESA had negative working capital of Euros 2,321 million. The undrawn amount under the Company's long-term credit lines provides assurance that ENDESA can obtain sufficient financial resources to continue its operations, realise its assets and settle its liabilities for the amounts shown in the statement of financial position.

The information relating to liquidity risk is included in Note 19.4 to the Consolidated Financial Statements for the year ended 31 December 2020 and the information regarding the main transactions carried out by ENDESA is set forth in Section 4.1. Financial Management in this Consolidated Management Report.

Apart from this, the conditions in which ENDESA accesses the capital markets or other means of financing, whether inter-company or on the credit market, are highly dependent on its credit rating, which in turn is dependent on that of its parent company, ENEL. ENDESA's capacity to access the markets and financing could therefore be affected, in part, by the credit and financial position of ENEL, to the extent that ENEL can influence the availability of inter-company financing for ENDESA or the conditions under which the Company accesses the capital market.

In this connection, the deterioration of ENEL's credit rating and, consequently, that of ENDESA, could limit ENDESA's ability to access the capital markets or any other means of financing (or refinancing) from third parties or increase the cost of these transactions which could adversely affect ENDESA's business, results, financial position and cash flows.

Information on ENDESA's ratings is provided in Section 4.3. Management of Credit Rating in this Consolidated Management Report.

b.6. ENDESA is exposed to credit risk.

In its commercial and financial activities, ENDESA is exposed to the risk that its counterparty may be unable to meet all or some of its obligations, both payment obligations arising from goods already delivered and services already rendered and payment obligations related to expected cash flows, in accordance with the financial derivative contracts entered into, cash deposits or financial assets. In particular, ENDESA assumes the risk that the consumer may not be able to fulfil its payment obligations for the supply of energy, including all transmission and distribution costs.

At 31 December 2020, total customer receivables for sales and services amounted to Euros 2,556 million, of which Euros 700 million were past due, and the value correction for expected loss amounted to Euros 360 million. Additionally, ENDESA assumes the risk of default for all financial assets, which at 31 December 2020 amounted to Euros 2,124 million and for which ENDESA estimates an impairment correction of Euros 28 million.

At 31 December 2020, receivables on the ten largest customers, by business group, accounted for less than 20% of the total, and none of them individually accounted for more than 5.7% at that date.

ENDESA cannot guarantee that it will not incur losses as a result of the non-payment of commercial or financial receivables and, therefore, the failure of one or more significant counterparties to fulfil their obligations could adversely affect ENDESA's business, results, financial position and cash flows.

Information relating to credit risk is provided in Note 19.5 to the Consolidated Financial Statements for the year ended 31 December 2020.

b.7. ENDESA's business could be negatively affected by inability to maintain its relations with suppliers or because the supply of suppliers available was insufficient in terms of quantity and/or quality, or due to suppliers' failing to maintain the conditions of service provided, limiting the possibilities of operability and business continuity.

The relationships ENDESA currently maintains with the main industry suppliers and service providers are essential for the development and growth of its business, and will continue to be so in the future. Furthermore, certain of these relationships are and will continue to be managed by ENEL, S.p.A.

ENDESA's dependence on these relationships could affect its ability to negotiate contracts with these parties under favourable conditions. Although ENDESA's supplier portfolio is sufficiently diverse, if any of these relationships is severed or terminated, ENDESA cannot guarantee the replacement of any significant supplier or service provider within an appropriate time frame or on similar terms.

ENDESA makes significant purchases of fuels, materials and services. In this regard, it is worth mentioning that:

- Some thermal power plants have had their consumption highly concentrated in few suppliers and countries, which represents a risk in case of supply interruption;
- Fuel supply contracts, basically for gas, are in areas with significant geopolitical risk that could materialise in the interruption of supply; and
- In the case of the power stations in the Non-mainland Territories ("TNP") (Balearic Islands, Canary Islands, Ceuta and Melilla), a situation of geographical isolation is combined with heavy dependence on liquid fuels.

If ENDESA is unable to negotiate contracts with its suppliers on favourable terms, if such suppliers are unable to comply with their obligations or if their relationship with ENDESA is severed, and ENDESA is unable to find an appropriate replacement, its business, results, financial position and cash flows could be affected adversely.

Note 19.6 to the Consolidated Financial Statements for the year ended 31 December 2020 provides information on the concentration of customers and suppliers.

Operational Risks.

c.1. ENDESA is exposed to risks associated with the construction of new electricity generation and supply facilities

The construction of power generation and supply facilities can be time-consuming and highly complex. This means that investment needs to be planned well in advance of the estimated start-up date of the facility and, therefore, the Group may need to adapt its decisions to changes in market conditions. This may entail significant additional costs not originally planned that may affect the return on these types of projects.

In connection with the development of such facilities, ENDESA generally has to obtain the related administrative authorisations and permits, acquire land purchase or lease agreements, sign equipment procurement and construction contracts, operation and maintenance agreements, fuel supply and transport agreements, off-take arrangements and obtain sufficient financing to meet its capital and debt requirements.

The Strategic Plan approved by the Board of ENDESA, S.A. on 25 November 2020 establishes an investment target, net of grants and assets ceded by customers, of Euros 7,900 million between 2021 and 2023 (see Section 6.3. Main Financial Indicators in this Consolidated Management Report).

Factors that may affect ENDESA's ability to construct new facilities include:

- Delays in obtaining regulatory approvals, including environmental permits;
- Shortages or changes in the price of equipment, materials or labour;
- Opposition from local groups, political groups or other stakeholders;
- Adverse changes in the political environment and environmental regulations;
- Adverse weather conditions, natural disasters, accidents and other unforeseen events that could delay the completion of power plants or substations;
- Non-compliance by suppliers with the agreed contractual conditions; and
- Inability to obtain financing on terms that are satisfactory to ENDESA.

Any of these factors may cause delays in completion or commencement of the Group's construction projects and may increase the cost of planned projects. In addition, if ENDESA is unable to complete these projects, any costs incurred in connection with such projects might not be recoverable.

If ENDESA faces problems relating to the development and construction of new facilities, its business, results, financial position and cash flows may be adversely affected.

The information relating to investments made in 2020 is included in Notes 6.2 and 8.1 to the Consolidated Financial Statements for the year ended 31 December 2020 and in Section 4.5 Investments of this Consolidated Management Report. Information on ENDESA's investment plan is provided in Section 6.3. Main Financial Indicators in this Consolidated Management Report.

c.2. ENDESA's activity may be affected by failures, breakdowns, problems in carrying out the planned work, or other problems that may result in unscheduled unavailability and other operational risks.

For the development of its activities, ENDESA has a large volume of assets relating to its activities which include, among others:

- Energy generation: At 31 December 2020, the total net installed capacity of ENDESA in Spain amounted to 21,652 MW, of which 17,326 MW were in the Mainland Electricity System and 4,326 MW in the Non-mainland Territories ("TNP") of the Balearic Islands, Canary Islands, Ceuta and Melilla. At that date, net installed capacity in renewables was 7,781 MW, of which 7,719 MW correspond to the mainland electricity system, representing 45% of its net installed capacity. (see Sections 1.4. Corporate Map and 2.6. Statistical Appendix to this Consolidated Management Report).
- Energy Distribution: At 31 December 2020, ENDESA distributed electricity in 24 Spanish provinces of 8 Autonomous Regions and in the Autonomous City of Ceuta, with a total area of 195,488 km² and a population close to 21 million inhabitants. The total energy distributed by ENDESA networks reached 124,658 GWh in 2020 (see Sections 1.4. Corporate Map and 2.6. Statistical Appendix to this Consolidated Management Report).
- Energy Supply: At 31 December 2020, ENDESA had more than 12 million electricity and gas customers (see Sections 1.4. Corporate Map and 2.6. Statistical Appendix to this Consolidated Management Report).

ENDESA is exposed to risks of breakdowns or accidents that temporarily interrupt the operation of the plants or interrupt the service to customers. To mitigate these risks there are prevention and protection strategies, including predictive and preventive maintenance techniques in line with international best practices.

ENDESA cannot guarantee that during the development of the activities, direct or indirect losses cannot arise from inappropriate internal processes, technological failures, human error or certain external events, such as accidents at facilities, labour disputes and natural disasters. These risks and dangers could cause explosions, floods or other circumstances which could cause the total loss of the energy generation and distribution facilities; damage to or the deterioration or destruction of ENDESA's facilities or those of third parties, environmental damage; delays in electricity generation and partial or total disruption of the activity. The

occurrence of any of these circumstances could adversely affect ENDESA's business, results, financial position and cash flows.

c.3. ENDESA's insurance cover and guarantees might not be appropriate or might not cover all of the damage.

ENDESA tries to obtain appropriate insurance cover in relation to the main risks associated with its business, including damages to the Company itself, general civil liability, environmental and nuclear power plant liability, and it is possible that insurance cover may not be available on the market on commercially reasonable terms. Likewise, the amounts for which ENDESA is insured may not be sufficient to cover the incurred losses in their entirety.

In the event of a partial or total loss of ENDESA's facilities or other assets, or a disruption to its activities, the funds ENDESA receives from its insurance may not be sufficient to cover the complete repair or replacement of the assets or losses incurred. Furthermore, in the event of a total or partial loss of ENDESA's facilities or other assets, part of the equipment may not be easily replaced, given its high value or its specific nature, or may not be easily or immediately available.

Similarly, the cover for this equipment or the limits to ENDESA's ability to replace it could disrupt or hinder its operations or significantly delay the course of its ordinary operations. Consequently, all of the above could adversely affect ENDESA's business, results, financial position and cash flows.

Likewise, ENDESA's insurance contracts are subject to constant review by its insurers. It is therefore possible that ENDESA may be unable to maintain its insurance contracts on terms similar to those currently in place in order to meet possible increases to premiums or coverage that becomes inaccessible. If ENDESA is unable to pass on a possible premium increase to its customers, these additional costs may adversely affect its business, results, financial position and cash flows.

c.4. The success of ENDESA's business depends on the continuity of the services provided by the Company's Management and key workers.

For the development of its activities, ENDESA had a workforce of 9,591 employees at 31 December 2020 (see Section 11.1. Workforce in this Consolidated Management Report). In order for ENDESA to continue maintaining its position in the sector, it needs to guarantee talent management, especially with regard to digital skills.

The qualified labour market is highly competitive and ENDESA may not be able to successfully hire additional qualified staff or to replace outgoing staff with sufficiently qualified or effective employees. ENDESA's inability to retain or recruit essential staff could adversely affect its business, results, financial position and cash flows.

Information on attracting and retaining talent, training, leadership and development of employees may be found in Section 11. Human Resources in this Consolidated Management Report.

c.5. ENDESA considers Occupational Health and Safety (OHS) and maintaining a fluid social dialogue as priority objectives. Inability to meet these objectives could adversely affect ENDESA's business, results, financial position and cash flows.

ENDESA considers Occupational Health and Safety (OHS) a priority and a fundamental value to preserve at all times for all who work for the Company, without distinction between its own personnel and that of its partner companies. The inclusion of this target in ENDESA's strategy finds specific expression in:

- Implementation of OHS policies at all Group companies.
- The implementation of specific work plans.
- The application of a unique and global system of observation of labour behaviours.

ENDESA also carries out various annual initiatives in its long-term strategy of continuous improvement of Occupational Health and Safety (OHS).

Information on ENDESA's OHS function is provided in Section 11.2. Occupational Health and Safety (OHS) of this Consolidated Management Report and is detailed in the Statement of Non-Financial Information and Sustainability for 2020.

Freedom of association of workers is guaranteed in ENDESA and in all contractor companies and suppliers with which it maintains a relationship.

Information relating to Social Dialogue is given in Section 11.8. Social Dialogue of this Consolidated Management Report and is detailed in the Statement of Non-Financial Information and Sustainability for 2020.

Within the scope of ENDESA in Spain, it should be noted that on 23 January 2020, the V ENDESA Framework Collective Agreement was signed, which implies that, since that date, a collective labour framework has been available, which adapts the labour regulation to the new requirements of the environment (see Note 16.1 to the Consolidated Financial Statements for the year ended 31 December 2020).

Inability to meet these objectives could adversely affect ENDESA's business, results, financial position and cash flows.

d) Other risks.

d.1. ENDESA manages its activities with information technology that uses the highest security and contingency standards according to the state of the art, such that it guarantees operating efficiencies, the protection of personal data as well as the continuity of the businesses, systems and processes which contribute to attaining its corporate objectives.

The use of information technologies in ENDESA is essential for the management of its activity. ENDESA's systems constitute a strategic element of differentiation with respect to the companies in the sector, given the magnitudes of business they handle in terms of technical complexity, volume, granularity, functionality and diversity of logic. Specifically, the main information systems available to ENDESA and the business processes they support are the following:

- Sales systems: marketing processes, demand forecasts, profitability, sales, customer service, claim management, hiring and the basic revenue cycle (validation of meter reading, invoicing, collection management and debt processing).
- Technical distribution systems: processes for managing the grid, meter-reading management, handling of new supplies, network planning, field work management, management of meter-reading equipment with advanced remote management and energy management capabilities.
- Generation systems, energy management and renewables: fuel management processes, meter-reading management, trading risk management, etc.
- Economic and financial systems: economic management, accounting, financial consolidation and balance sheet processes of the Company.

Management of ENDESA's business activity through these systems is key in order to perform its activity efficiently and achieve its corporate objectives. In constructing and operating these systems, ENDESA incorporates the highest security and contingency standards such that it guarantees operating efficiencies, as well as the continuity of the businesses and processes which contribute to attaining its corporate objectives.

These standards acquire an especially significant role in the process of digital transformation through which ENDESA is going, which leads to a growing exposure to potential cyberattacks, increasingly numerous and complex, and which can compromise the security of its systems, data, including those of a personal nature, affecting the continuity of operations, and consequently the quality in the relationship with its customers and the results, financial situation and cash flows of the organisation.

Security, therefore, has become a global and strategic issue. In this regard, ENDESA has policies, processes, methodologies, tools and protocols based on international standards and government initiatives properly audited. In particular, ENDESA has a cybersecurity performance and management model, promoted by Senior Management and that involves all business areas and the area responsible for the management of computer systems. This model is based on the identification, prioritisation and quantification of existing security risks, taking into account the impact of each system on ENDESA's business, and with the objective of adopting security actions for minimisation and mitigation.

d.2. ENDESA's activities are subject to wide-reaching environmental regulations and its inability to comply with current environmental regulations or requirements or any changes to the environmental regulations or requirements applicable could adversely affect its business activities, results, financial position and cash flows.

ENDESA is subject to environmental regulations, which affect both the normal course of its operations and the development of its projects, leading to increased risks and costs. This regulatory framework requires licences, permits and other administrative authorisations be obtained in advance, as well as fulfilment of all the requirements provided for in such licences, permits and authorisations. As in any regulated company, ENDESA cannot guarantee that:

- The regulations will not be amended or interpreted in such a way as to increase the expenses necessary to comply with such laws or as to affect ENDESA's operations, facilities or plants;
- Public opposition will not lead to delays or changes in the projects that are proposed; and
- The authorities will grant the environmental permits, licences and authorisations required to develop new projects.

In addition, ENDESA 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. ENDESA may be held responsible for environmental damage, for harm to employees or third parties, or for other types of damage associated with its energy generation, supply and distribution facilities, as well as port terminal activities.

Although the plants are prepared to comply with the prevailing environmental requirements, ENDESA cannot guarantee that it will be able to comply with the requirements imposed or that it will be able to avoid fines, administrative or other sanctions, or any other penalties and expenses related to compliance matters, including those related to the management of waste, spills and emissions from the electricity production units. Failure to comply with these regulations may give rise to liabilities, as well as fines, damages, sanctions and expenses and even possibly to facility closures. Government authorities may also impose charges or taxes on the parties responsible in order to guarantee obligations are repaid. In the event ENDESA were accused of failing to comply with environmental regulations, its business activities, results, financial position and cash flows could be affected adversely.

In this connection, ENDESA has taken out the following insurance policies:

- An environmental liability insurance policy which covers, up to a maximum of Euros 150 million, claims arising from contamination.
- A third-party liability insurance policy which covers claims relating to damage to third parties or their property up to a maximum of Euros 200 million and an additional Euros 800 million for hydroelectric plants.
- In relation to risks arising from operating nuclear power plants, the storage and handling of low-level radioactive materials and the potential decommissioning of its nuclear power plants, an insurance policy up to Euros 700 million to cover any liabilities related to nuclear power plants up to the liability limit established by Spanish legislation.

The nuclear power plants are also insured against damage to their installations (including feedstock) and machinery breakdowns, with maximum coverage of USD 1,500 million (approximately Euros 1,222 million) for each power plant.

On 28 May 2011, the Spanish government published Law 12/2011 of 27 May on civil liability for nuclear damage or damage produced by radioactive materials, which, as well as widening the definition of nuclear damage, raised operator liability to Euros 1,200 million, while also allowing operators to cover this liability in several ways. This Standard will enter into force when, in turn, the Protocol of 12 February 2004 amending the Paris Convention on Civil Liability for Nuclear Damage and the Brussels Convention, complementary to the former, becomes effective. At the date of formulation of these Consolidated Annual Accounts, the joint ratification of the Member States is pending, and will foreseeably take place in January 2022.

However, it is possible ENDESA may face third-party damage claims. If ENDESA were to be held liable for damages generated by its facilities for amounts greater than its insurance policy cover or for damages which exceed the scope of the insurance policy's cover, its business, financial position or operating results could be adversely affected.

ENDESA is subject to compliance with the legislation and regulations on emissions of pollutants and on the storage and treatments of waste from fuel from nuclear power plants. It is possible that the Company will be subject to even stricter environmental regulations in the future. In the past, the approval of new regulations has required, and could require in the future, significant capital investment expenditures in order to comply with legal requirements. ENDESA cannot predict the increase in capital investments or the increase in operating costs or other expenses it may have to incur in order to comply with all environmental requirements and regulations. Nor can it predict whether it will be possible to pass on these costs. Thus, the costs associated with compliance with the regulations applicable could adversely affect ENDESA's business, results, financial position and cash flows.

Information concerning ENDESA's environmental management systems may be found in Section 10. Environmental Protection in this Consolidated Management Report.

d.3. Past or future infringements of competition and antitrust laws could adversely affect ENDESA's business, results, financial position and cash flows.

ENDESA is subject to antitrust laws in the markets in which it operates. Infractions of these laws and other applicable regulations, especially in Spain where ENDESA's main market is located, could lead to the initiation of legal proceedings against ENDESA.

ENDESA has been, is and could be the object of legal investigations and proceedings regarding competition matters. Investigations regarding the infringement of competition and antitrust laws usually last several years and may be subject to rules that prevent the disclosure of information. Furthermore, infringements of these regulations may give rise to fines and other types of sanctions, which could adversely affect ENDESA's business, results, financial position and cash flows.

Information on litigation and arbitration is provided in Note 16.3 to the Consolidated Financial Statements for the year ended 31 December 2020.

ENDESA's growth strategy has traditionally included, and continues to include, acquisition transactions which are subject to various competition laws. These regulations may affect ENDESA's ability to carry out strategic transactions (see Section 2.5. Scope of Consolidation in this Consolidated Management Report).

d.4. ENDESA is involved in court and arbitration proceedings.

ENDESA is party to various ongoing legal proceedings related to its business activities, including tax, regulatory and antitrust disputes. It is also subject to ongoing or possible tax audits. In general, ENDESA is exposed to third-party claims from all jurisdictions (criminal, civil, commercial, labour and economic-administrative) and in national and international arbitration proceedings.

ENDESA makes its best estimate to provide its provisions for legal contingencies, provided that the need to meet this obligation is probable and its amount can be reasonably quantified.

No guarantee can be given that ENDESA has allocated adequate provisions for contingencies, that it will be successful in the proceedings in which it expects a positive outcome, or that an unfavourable decision will not adversely affect ENDESA's business, results, financial position and cash flows. Furthermore, the Company cannot give any assurance that it will not be the object of new legal proceedings in the future, which, if the outcome were unfavourable, would have an adverse effect on its business activities, operating results, financial position or cash flows.

Information on litigation and arbitration is provided in Note 16.3 to the Consolidated Financial Statements for the year ended 31 December 2020.

d.5 Financial guarantee contracts In general, ENDESA could be affected by tax risks deriving either from a possible interpretation of the rules by the Tax Authorities that differs from that adopted by the Company or from an incorrect perception by third parties of the tax position adopted by the Company.

Currently, the tax risks to be managed and controlled are those deriving from uncertainties caused either by the possibility of the Tax Authorities demanding amounts in addition to those that ENDESA considers due (either due to failure to file returns or to a different interpretation of the applicable regulations) or by incorrect perception or assessment by third parties of events of a tax nature that are erroneously or unfairly attributed to the Company.

In 2020, ENDESA's total tax contribution amounted to Euros 3,484 million, of which 40% corresponded to taxes incurred that represented a cost to ENDESA and 60% referred to taxes collected by ENDESA in carrying out its economic activity. Spain was the jurisdiction where ENDESA contributed most to the payment of taxes, representing 90% of the total taxes paid and collected in 2020.

Information regarding ENDESA's tax contribution is detailed in the Statement of Non-Financial Information and Sustainability for 2020.

With reference to ENDESA's situation framework regarding tax risks, it is worth highlighting:

- The periods open for review by the relevant Tax Authorities and Inspections for the period and their effects (see Note 3n to the Consolidated Financial Statements for the year ended 31 December 2020); and
- The significant tax disputes that are likely to generate a contingency (see Note 16.3 to the Consolidated Financial Statements for the year ended 31 December 2020).

ENDESA mitigates the occurrence of these risks through:

- Compliance with its Tax Risk Management and Control Policy (see Section 7.2. General Risk Control and Management Policy of this Consolidated Management Report) which is the base document of the Tax Compliance Management System that the Company has implemented; and
- Its subscribing to the cooperative compliance system embodied in the Code of Good Tax Practices and in the annual presentation to the Tax Administration of the Tax Transparency Report. This subscription implies that ENDESA voluntarily commits vis-à-vis the Tax Administration to the promotion of good practices that lead to the reduction of significant tax risks and the prevention of behaviours likely to generate them.

In spite of this firm commitment, any change in the interpretation of the tax regulations by the Tax Administration or the Administrative or Judicial Courts may have an impact on the fulfilment of ENDESA's tax obligations, being capable of affecting its financial situation and its cash flows.

d.6. ENDESA could be held liable for corporate income tax and Value Added Tax (VAT) charges corresponding to the tax group of which it forms part or has formed part.

Since 2010, ENDESA has filed consolidated tax returns for income tax purposes, as part of consolidated tax group no. 572/10, the parent of which is ENEL, S.p.A., ENEL Iberia, S.L.U. being its representative in Spain. Likewise, since January 2010, ENDESA has formed part of the Spanish consolidated VAT group no. 45/10,

the Parent of which is ENEL Iberia, S.L.U. Until 2009, ENDESA filed consolidated tax returns as the Parent under group no. 42/1998 for income tax and under group no. 145/08 for VAT.

Also, ENEL Green Power España, S.L.U. (EGPE), a wholly-owned ENDESA subsidiary, paid tax between 2010 and 2016 as a consolidated member of Group number 574/10 of which ENEL Green Power España, S.L.U. (EGPE) was the Parent. From 1 January 2017, ENEL Green Power España, S.L.U. (EGPE) paid taxes as part of tax group number 572/10 of which ENEL, S.p.A. is the Parent and ENEL Iberia, S.L.U. is the representative in Spain.

After ENDESA took control of Empresa de Alumbrado Eléctrico de Ceuta, S.A., in which, at 31 December 2020, it held a 96.37% share of the capital, the Consolidated Tax Group number 21/02 was incorporated, consisting of the following three companies: Empresa de Alumbrado Eléctrico de Ceuta, S.A. (as the parent company and representative of the Consolidated Fiscal Group), Energía Ceuta XXI Comercializadora de Referencia, S.A.U. and Empresa de Alumbrado Eléctrico de Ceuta Distribución, S.A.U.

In accordance with the regime for filing consolidated tax returns for purposes of income tax and VAT for company groups, all of the Group companies that file consolidated tax returns are jointly responsible for paying the Group's tax charge. This includes certain sanctions arising from failure to comply with specific obligations imposed under the VAT regime for company groups.

As a result of this, ENDESA is jointly responsible for paying the tax charge of the other members of the consolidated tax Groups to which it belongs or has belonged for all tax periods still open for review. ENEL Green Power España, S.L.U. (EGPE) is so responsible for the other members of the Tax Consolidation Group to which it has belonged and Empresa de Alumbrado Eléctrico de Ceuta, S.A. with respect to its.

Even though ENDESA, ENEL Green Power España, S.L.U. (EGPE) or Empresa de Alumbrado Eléctrico de Ceuta, S.A., as the case may be, has the right of recourse against the other members of the corresponding tax consolidated group, any of them could be held jointly and severally liable if any outstanding tax charge were to arise which had not been duly settled by another member of the consolidated tax Groups of which ENDESA, ENEL Green Power España, S.L.U. (EGPE) or Empresa de Alumbrado Eléctrico de Ceuta, S.A., as the case may be, forms or has formed part. Any material tax liability could adversely affect ENDESA's business, results, financial position and cash flows.

d.7. The ENEL Group controls the majority of ENDESA's share capital and voting rights and the interests of the ENEL Group could conflict with those of ENDESA.

At 31 December 2020, the ENEL Group, through ENEL Iberia, S.L.U., held 70.1% of ENDESA, S.A.'s share capital and voting rights, enabling it to appoint the majority of ENDESA, S.A.'s Board members and, therefore, to control management of the business and its management policies.

The ENEL Group's interests may differ from those of ENDESA or of ENDESA's other shareholders. Furthermore, both the ENEL Group and ENDESA compete in the European electricity market. It is not possible to give any assurance that the interests of the ENEL Group will coincide with the interests of ENDESA's other shareholders or that the ENEL Group will act in support of ENDESA's interests.

Information on balances and transactions with related parties is provided in Note 34 to the Consolidated Financial Statements for the year ended 31 December 2020.

d.8. ENDESA is exposed to image and reputational impairment risk.

ENDESA is exposed to the opinion and perception projected to different interest groups. This perception could deteriorate as a result of events produced by the Company or third parties over which it has little or no control. Should this occur, this could lead to economic damage to the Company due, among other factors, to increased requirements on the part of regulators, higher borrowing costs or increased efforts to attract customers.

Although ENDESA actively works to identify and monitor potential reputational events and interest groups affected, and transparency forms part of its communications policy, there is no guarantee that it will not suffer impairment of its image or reputation which, if resolved unfavourably, will have an adverse effect on its business, operating results, financial position or cash flows.

Furthermore, ENDESA cannot guarantee that it will maintain solid relationships and ongoing communication with consumers and users and with the associations that represent them and, therefore, any change in these

relationships could entail negative publicity and a significant loss of customers, which could adversely affect ENDESA's business, results, financial position and cash flows.

8. Sustainability policy

8.1. ENDESA's Commitment to Sustainability

ENDESA considers sustainability as an essential element of its corporate culture that allows the Company to maintain a leadership position and strengthen it for the future. To do this, it integrates it into its strategy and contributes to sustainable development through the creation of long-term value.

To successfully overcome the challenges in terms of sustainability that the Company faces, ENDESA has defined a series of principles and transversal commitments based on the Company's corporate values, which govern both management and actions in economic matters, social, ethical and environmental and relations with all its stakeholders.

These principles and commitments are included in the new Sustainability Policy, updated in 2020, the purpose of which is to formalise and specify the principles that guide sustainability management and the future commitments that constitute ENDESA's framework of action with Sustainable Development, as manifested in the Vision, Mission and Values of the Company (see Section 1.3.1 of this Consolidated Management Report).

The Board of Directors, through its Sustainability and Corporate Governance Committee, is in charge of supervising compliance and control of the policy and strategy on sustainability and Corporate Governance in accordance with the functions and powers established in the Regulations. of the Sustainability and Corporate Governance Committee. The reference to the Sustainability Policy can be consulted on the website: https://www.endesa.com/content/dam/enel-es/endesa-en/home/investors/corporategovernance/corporatepolicies/documents/Politica-Sostenibilidad-ENDESA-6_12_20_EN.pdf

In this sense, annually, the Sustainability and Corporate Governance Committee will receive the proposal of the Sustainability Plan that will include the details of all the actions and objectives defined to comply with the principles and commitments included in this policy in the following three years and having examined it will submit it for approval to the Board of Directors.

In the same way, the Sustainability and Corporate Governance Committee will annually monitor the degree of fulfilment of the Sustainability Plan.

8.2. Compliance with ENDESA's 2020-2022 Sustainability Plan

For ENDESA, sustainability plays a central role when defining the direction of the business, and in order to integrate it with the management of the business and the decision-making processes, there must be maximum alignment between the business strategy and the sustainability strategy, so that both are aimed at the attainment of the same objective and provide mutual feedback to achieve it, thereby generating economic value for the Company in the short and long-term.

Therefore, ENDESA's materiality analysis feeds the strategic reflection that defines the Strategic Plan. Additionally, the ENDESA's 2020-2022 Sustainability Plan, through more than 100 quantitative management objectives, responds to each of the priorities and strategic pillars identified, with an overall fulfilment rate of 91%.

As part of its commitment to transparency and in the interest of building trust with its stakeholder groups, ENDESA duly renders account of its achievement of the objectives and actions included in its Sustainability Plan for 2020-2022 in the Statement of Non-Financial Information and Sustainability for 2020(see Appendix II to this Consolidated Management Report), which is available on its website: www.ENDESA.com.

8.3. ENDESA's contribution to the United Nations Sustainable Development Goals (SDGs)

On 25 September 2015, the United Nations (UN) approved the 2030 Agenda on Sustainable Development for countries and their societies to be able jointly to solve the critical problems facing mankind. The Agenda has 17 Goals and 169 targets to be achieved by 2030. ENDESA collaborated in the drawing up of this Agenda and is firmly committed to it. In this regard it recognises the historic opportunity represented by the Sustainable Development Goals (SDGs) and the involvement of the private sector to overcome the main challenges that society faces, from the fight against climate change to the eradication of poverty and the assurance of economic and social progress. This vision is shared within the entire ENEL Group.

ENDESA, for its part, assumes these commitments and adapts them to the context in which it operates. Thus, since announcing its specific contribution to the 2030 Agenda in 2016, it has continued to make progress with respect to its commitment to six goals, four of which directly affect its own business model:

- SDG 13 (Climate Action): Decarbonisation of the energy mix by 2050, setting ambitious targets for the reduction of specific CO₂ emissions relative to 2017 of around 80% by 2030 and 100% by 2050. It has also set an objective of 75% emission-free production in 2023, 80% in 2030 and 100% in 2050 (see Notes 2.2.2 and 39 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2020).
- SDG 9 (Industry, Innovation and Infrastructure): Investment of Euros 2,600 million over the period 2020-2023 Strategic Plan to be at the forefront of future energy developments through digitisation.
- SDG 11 (Sustainable Cities and Communities): Plan for the deployment of public electric charging infrastructures with 56,000 electric recharging points, public and private, by 2023.
- SDG 7 (Affordable and Clean Energy): As a direct contribution, ENDESA incorporates ambitious objectives into both its Strategic Plan and its Sustainability Plan: 11.5 GW of renewable capacity in 2023, increasing its capacity by approximately 50% compared with 2020, with 89% carbon-free production. As an indirect contribution, educational and training programmes on energy, accessibility and the promotion of energy efficiency are being run and will reach a total of 4.1 million beneficiaries over the period 2015-2030.

In addition, ENDESA contributes to the commitments assumed by its parent company in relation to SDG 4 (Quality Education), for which ENDESA has made a public commitment to reach 800,000 beneficiaries in the period 2015-2030, and SDG 8 (Decent Work and Economic Growth) for which it has made a public commitment to reach 1.9 million beneficiaries in the same period through the social initiatives carried out.

However, although these are the highest priority Sustainable Development Goals (SDGs) for ENDESA and therefore those for which it makes public commitments and on which it will place greatest emphasis in the coming years, the 2021-2023 Sustainability Plan will incorporate objectives and lines of action that will allow the Company to contribute to the achievement of all the Sustainable Development Goals (SDGs), thus aligning its sustainability strategy with the universal framework of the 2030 Agenda

Key Performance Indicators (KPIs) relating to socio-economic activities.

In 2020 and 2019, the KPIs relating to socio-economic activities developed as indicated hereunder:

| | Number of Beneficiaries | |
|---|-------------------------|------------------|
| | 2020 | 2019 |
| Access to Energy ⁽¹⁾ | 225,563 | 423,468 |
| Socio-economic Development ⁽²⁾ | 139,228 | 133,052 |
| Education ⁽³⁾ | 112,365 | 73,267 |
| Support to Local Communities ⁽⁴⁾ | 1,854,595 | 440,834 |
| TOTAL | 2,331,751 | 1,070,621 |

(1) Includes projects for minimising economic barriers to access to energy, promoting technical education and training in the field of energy, promoting energy efficiency, awareness of energy use and technological and infrastructure development to facilitate access, and access to electricity for vulnerable groups.

(2) Includes projects to promote employment and generate economic activity in the community, knowledge transfer and training and support for local business activities.

(3) Includes projects to support training activities that involve students, families, schools and universities and the promotion of academic training, in general, not only related to energy, through scholarships, chairs, etc.

(4) Includes projects aimed at improving the well-being of people and communities, maintaining their cultural identity, preserving their heritage, improving the environment and local biodiversity, sports, promoting healthy habits and supporting the coverage of basic needs.

8.4. Value created for Stakeholders

The economic value generated and distributed by ENDESA during 2020 and 2019 was as follows:

Millions of euros

| | Reference (1) | Sections | 2020 | 2019 |
|--|---------------|--------------|-----------------|-----------------|
| Direct Economic Value Generated | | | 17,615 | 20,184 |
| Sales | 24.1 | 2.3.1 | 16,644 | 19,258 |
| Other Operating Income | 24.2 | 2.3.1 | 935 | 900 |
| Net Profit/(Loss) of Companies accounted for using the Equity Method | 10.1 | 2.3.4 | 34 | 15 |
| Net gains/(losses) on disposal of assets | 30 | 2.3.5 | 2 | 11 |
| Economic Value Distributed to: | | | (16,796) | (18,445) |
| Shareholders | | 4.4 and 13.2 | (2,132) | (1,562) |
| Companies: Clients, Suppliers and Contractors. | | | (12,791) | (15,485) |
| Energy purchased | 25.1 | 2.3.2 | (3,631) | (4,904) |
| Fuel consumption | 25.2 | 2.3.2 | (1,100) | (1,780) |
| Transmission costs | | 2.3.2 | (5,000) | (5,302) |
| Other Variable Procurements and Services | 25.3 | 2.3.2 | (1,842) | (2,266) |
| Other Fixed Operating Expenses | 27 | 2.3.2 | (1,351) | (1,338) |
| (Taxes other than income tax) | 27 | | 133 | 105 |
| Employees | 26 | 2.3.2 | (1,147) | (1,022) |
| Public Administration | | | (521) | (155) |
| Corporate Income tax | 31 | 2.3.6 | (388) | (50) |
| Taxes other than income tax | 27 | | (133) | (105) |
| Investments in social development (2) | | | (34) | (12) |
| Financial community | 29 | | (171) | (209) |
| Financial Expense | | 2.3.3 | (174) | (212) |
| Income from derivative financial instruments | | | 3 | 3 |
| Retained Economic Value | | | 819 | 1,739 |

(1) Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

(2) Calculated according to the London Benchmarking Group (LBG) methodology.

9. Research, development and innovation activities (R&D+i)

9.1. Context and objectives of the research, development and innovation (R&D+i) activities

The Energy Sector is in the midst of important changes, which will intensify in the future due to the growing environmental awareness of governments and customers. ENDESA is aware that the objectives for reducing emissions and increasing efficiency are necessary, requiring an additional effort on its part in order to achieve them.

In this context, the goal of ENDESA's research, development and innovation (R&D+i) activities is to create a new, more sustainable energy model based on efficient electrification of energy demand thanks to the development, testing and application of new technologies and new business models.

ENDESA's research, development and innovation (R&D+i) activities, are developed in coordination with the rest of the ENEL Group, with joint research activities being undertaken in the areas of shared interest and in the markets in which both operate.

9.2. Investment in research, development and innovation (R&D+i) activities

Gross direct investment in Research, Development and Innovation (R&D+i) in 2020 and 2019 amounted to Euros 13 million and Euros 19 million respectively, distributed as follows:

Millions of euros

| | Gross direct investment in R&D+i | |
|---|----------------------------------|-----------|
| | 2020 | 2019 |
| Generation and Supply | 6 | 8 |
| Distribution | 7 | 11 |
| TOTAL | 13 | 19 |
| Gross direct investment in R&D+i / EBITDA (1) (%) | 0.34 | 0.49 |
| Gross direct investment in R&D+i / EBIT (2) (%) | 0.69 | 4.90 |

(1) EBITDA = Income - Procurements and Services + Self-constructed assets - Personnel expenses - Other fixed operating expenses.

(2) EBIT = EBITDA - Depreciation and amortisation, and impairment losses.

9.3. Main areas of activity

ENDESA's research, development and innovation (R&D+i) activities are based on a commitment to sustainability, and therefore technology projects are developed aimed at creating value, fostering a culture of innovation and building competitive advantages in the area of sustainability.

ENDESA's develops innovation projects across all its business lines. The following details the areas of activity, their future guidelines, and certain of the most relevant projects currently under way.

Electricity generation

Guidelines: Decarbonisation, improvements to plan construction processes, increase in the level of digitisation of plants, reduction of environmental impact, increase in efficiency and greater flexibility of conventional plants to optimise their operation, energy storage and improvement of the safety of people and facilities (see Notes 2.2.2 and 39 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2020).

Areas of action:

During 2020 the following strategic areas can be highlighted where a very important part of the main innovation projects of the electricity generation Business Line has been developed:

- Energy storage projects, with special interest in new technologies that make it possible to reduce the cost of energy storage, as well as improving its environmental impact by reducing the use of toxic or flammable elements. In this area, we would highlight the “Second Life” project in Melilla for the use of second-life batteries from electric vehicles as stationary storage, the demonstration projects for flow and solid-state batteries developed in Mallorca, and the feasibility studies of energy storage technology in compressed liquid air. Additionally, it is worth highlighting the important launch of new initiatives and projects in the area of green hydrogen generation, as a key tool for the decarbonisation of the industrial sector.
- Projects to introduce robotic solutions in plant operation and maintenance processes, in order to improve asset inspections, both in technical capacities, being able to inspect areas that were not accessible, as well as reducing risks for people, by reduce the access of people in areas with intrinsic danger, such as underwater tasks, confined spaces, or work at height. In this line, the deployment of drone-based solutions has continued for both conventional power plants and hydroelectric, solar and wind plants, with the creation of pilot schemes among internal personnel. The development of solutions based on underwater robots for inspection and maintenance actions under water has also continued. Finally, specific projects have been started for the development of maintenance robots in photovoltaic plants, as well as robots for the inspection of conduit and channel infrastructures in hydroelectric power plants.
- Projects focused on the construction process of new renewable generation plants. This type of project fundamentally seeks to improve three aspects:
 - The efficiency of the process, allowing a reduction in development costs and minimising the environmental impact of the processes.
 - A reduction in the time required to carry out the work, a key aspect in the accelerated decarbonisation process promoted by the company.
 - Improvement in safety aspects for workers on site, reducing existing risks, with the validation of artificial vision systems.

Some of the most outstanding activities in this field include the incorporation of systems for conducting virtual visits to monitor the work, the incorporation of exoskeletons to help with the assembly of equipment, and the incorporation of "Building Information Modelling" technology (BIM) and artificial intelligence to monitor the construction process of the work.

- Innovation projects to improve the end of life of equipment and systems, with a circular economy approach. Within this type of projects, it should be noted that two projects have been started focused on the end of life of wind assets with a special focus on recycling the composites that make up wind turbine blades, and a second project focused on the recycling process of recycling lithium ion batteries.

- Projects to improve the environmental impacts of generation activities. In this area, it is worth highlighting the agrovoltaic pilot projects that have started this year in five plants in Andalusia, Extremadura and Murcia. Also, activities focused on the validation of new processes for the treatment of contaminated soils and more environmentally sustainable solutions for use in landfills in closure processes. Finally, the project based on artificial intelligence to improve the protection of bird life in the vicinity of wind farms should be highlighted.
- Projects for the reduction of occupational risks in the activities of operation and construction of new plants. In this type of projects, the use of artificial intelligence technologies for artificial vision, new technologies of intrinsic safety in machinery, as well as virtual reality technologies for training should be highlighted.

Distribution grid

Guidelines: Strengthen security of supply, improve service quality and respond to future customer demands through the development of smart grids, remote management and grid automation.

Areas of action:

- Digitisation of distribution grids:
 - Network Digital Twin (NDT): Highly computerised, digital replica of physical assets and their management, development and maintenance processes.
 - “Digitisation Infrastructure & Network” (DIGI & N) Iberia: This is a global programme for the digital transformation of all ENEL Infrastructure and Network processes, through disruptive efficiency, agile operational model and convergence of cutting-edge technology, promoting best practices among countries of the Group.
- “Smart Grids” / “SmartCities” projects: Their objective is to enable grids to offer an effective response to their users' needs.
 - ENDESA is developing its "Smart Grid" concepts on its "SmartCity" programmes, where it is a leader in the sector with various active projects. It is now nine years since the "SmartCity" project was introduced in Málaga. ENDESA is implementing different initiatives for the digitisation of the network, validating technological solutions in "Living Labs", real environments, under normal operating conditions and with the presence of end users, where products and services typical of smart grids are tested and evaluated. Preventive Analysis Project for Smart Networks with Operation in Real Time and Integration of Renewable Assets (“PASTORA”): Complementary project of the Project for the Advanced Monitoring and Control of Medium and Low Voltage Distribution Networks (MONICA). In 2020, the development of the linkage algorithm with field tests continued and a network monitoring application (ADMS) was developed, as well as the installation of smart transformers and smart panels in the Living Lab training centres.
 - Project “Resilience to cope with Climate Change in Urban Areas” (Resccue): This project focuses on assessing the impacts of climate change on the functioning of essential services in cities such as water and energy, and on providing models and practical and innovative tools to improve the resilience of urban areas to current or future climate scenarios.
- Flexibility Projects:
 - “Coordinet”: Creation of a European energy platform to open the market to consumers, taking advantage of the flexibility that small generators and demand they can supply to the System and which is currently not used to improve the stability of the network.
 - Project "Microgrid Blue": Development of tools to help the management of electrical networks and the operation of insular systems in scenarios of massive penetration of low-power renewable sources.
- Projects and proofs of innovation concept in networks:
 - “Aerial-Core”: Development of an integrated aerial cognitive robotic system (drone) that will have capabilities in the range of operation, manipulation of network elements with a robotic arm and security in the interaction with people.

- Project "Risk Map (NENERGIX)": Creation of an application to measure risks in airlines, combining the data and functionalities of the NENERGIX "Sentinel" application and vegetation risk maps.
 - Project "E-Access Control (I'm in) (Open&me)": Proof of Concept for changing the access procedure to remotely controlled facilities through an application that communicates with the control centre and incorporates the functionality of access control on demand through the use of a padlock and smart key.
 - Project "Delimitation of Areas in Transformation Centres (Holoroach)": A high-precision monitoring system that helps prevent access to risk areas within closed spaces such as transformer stations (medium voltage/low voltage).
 - Project "Monitoring of Cable Reels (Alesea)": Validation of smart cable reel monitoring devices to detect the amount of cable used and the location of the reels and their use.
 - Project "Reducing the Noise of High Voltage / Medium Voltage Transformers (Sonobex)": Limitation of noise emissions through the use of specialised materials for noise reduction.
 - Project "Reconstruction of the Network Topology (Odit-e)": Development of a meter mapping algorithm to identify the configuration of the electrical network and the clients connected to each distribution transformer, line and phase.
 - Project "Advanced Monitoring of High Voltage Lines". In forest environments, and high and medium voltage networks, the "Living Lab" in Garraf (Barcelona) is starting to be the scene of tests of different sensorisation technologies, to calculate the maximum date of the line as its structural integrity.
 - Project "Predictive Maintenance of High Voltage Substations": The objective of the project is the predictive maintenance of substations through temperature measurement.
 - "Reset": Development of a low voltage four-branch Statcom converter. The objective is the reduction of neutral currents and the minimisation of the technical losses of the network.
 - Project "Satellite Prediction of Vegetation (CGI)": Development of algorithms to estimate the growth of vegetation combining satellite images to estimate the growth parameters of vegetation and trees.
- Chair in Network Innovation: The objective is the collaboration with universities in the holding of seminars, conferences, end-of-degree projects and doctoral theses, research in the Electricity Sector, safety and efficiency studies, storage systems, energy recovery, etc. There are chairs with the Polytechnic University of Catalonia, the University of Seville, the University of Las Palmas de Gran Canaria, the University of the Balearic Islands and the University of Zaragoza.

Innovation in supply.

Guidelines: Test the latest trends in relationships with customers and stakeholder groups in the field based on technological advances. Identify areas for improvement and define operation processes.

Areas of action:

- Improve the value proposition to the customer:
 - The "Confía Project" to improve the management of vulnerable customers with blockchain, has been completed. It is an example of open innovation developed with the "agile" methodology in which ENDESA, the Malaga City Council, the University of Malaga and several third parties have collaborated on a world pioneering project that allows coordination among the public administrations involved, social services and energy companies to be improved. Blockchain technology allows the creation of a shared, reliable, immutable, traceable and secure network that improves management of vulnerable customers. This project combines ENDESA's social commitment, technological innovation and the constant search for efficiency in processes.

- ENDESA has launched the first energy subscription model, “Única”, which has led to a revolution in energy supply. Thanks to digitisation and 'big data' ENDESA offers an individual personalised price for each client, allowing customers to always pay the same amount, without penalties, with 100% renewable electricity and emission-neutral gas, 100% digital, and also includes a challenge plan in which efficient consumption is rewarded. With this proposal, ENDESA offers additional services that can be included in “Única” such as annual maintenance revisions or repairs and little by little, services from different sectors will be added to make life easier for households.

Efficiency in end usage of energy

Guidelines: Test the latest technologies in the field, define performance, identify areas of improvement and define operating processes.

Areas of action:

- Energy Management System (“SGE”): it is a complete service, based on a digital platform, which ranges from the measurement of consumption and, therefore, allows to know in an agile way in which points it is most likely to achieve significant savings, up to the implementation of efficiency and savings measures, making it possible to monitor and verify these savings with the information available on the platform.
- Homix: “smart home” device developed by the e-Home Business Line together with Amazon, with an ecosystem of smart accessories that are continuously being incorporated into the catalogue of smart devices. This technological solution learns the habits of home use in order to offer, autonomously, answers to people's needs, being able to simplify the life of any family thanks to the integrated management of home heating, security and lighting.
- Comfort Management: ENDESA X Servicios, S.L.U.'s solution for the intelligent management and control of Companies' Air Conditioning Systems. With Comfort Management, customers can achieve significant energy savings without giving up the highest levels of comfort, managing equipment remotely through the use of machine learning and artificial intelligence.
- Photovoltaic Simulator: extensive solar catalogue, which includes a web simulator that immediately calculates the preliminary dimensioning and potential savings of a self-consumption photovoltaic installation for our domestic, business and industrial customers based on different variables such as their available roof space, their contracted rate, estimated consumption, geographical location, etc. In just over a minute the simulator shows the customer the technical and economic details of the self-consumption photovoltaic installation.

Transformation of cities.

Guidelines: In the urban sphere, ENDESA X Servicios, S.L.U. deals with technological convergence driven by digitisation that leads to the creation of cities equipped with smart systems and more energy-efficient equipment capable of ensuring more sustainable, economical and personalised services according to the demands of the citizen.

Areas of action:

- “City Analytics”: This technology, developed by the Innovability Business Line, is a support tool for Public Administrations that allows a detailed description of the aggregate movements of citizens in urban centres to be obtained. Using “big data” analysis, and fully complying with current privacy regulations, information is collected, analysed and processed from external sources, open data sensors, cameras and other points located in a city.

The data collected is stored in the cloud and processed to create statistical models and forecasts, comparing data from previous days and months, transforming a large volume of disparate data into useful information. “City Analytics” is very useful for the Public Administration to:

- Make decisions about mobility and safety in case of events or periods of tourist influx.

- Dynamically organise mobility on roads according to traffic.
- Optimise the size and location of public services and infrastructures, including the definition of parking areas, means of public transport, the placement of recharging points for electric vehicles or the management of waste collection.
- “Air Quality”: ENDESA X Servicios, S.L.U.'s new solution allows clients to adapt to the new conditions deriving from COVID-19 quickly and effectively, as well as to transmit to their clients an image of safety and awareness of the health crisis.

It focuses on the two most effective factors to minimise the risk of infection: on the one hand, monitoring and ventilation, through the installation of carbon dioxide (CO₂), temperature and humidity sensors, and on the other, the control of capacity in the facilities.

Electric vehicles

Guidelines: For ENDESA, which has a clear commitment to the energy transition and decarbonisation, electric mobility represents one of the fundamental pillars. In this regard, ENDESA promotes the development of the electric vehicle as one of the main avenues for the fight against climate change and promotes electric mobility as an instrument to facilitate a zero-emission energy model.

Areas of action:

Through ENDESA X Servicios, S.L.U., taking advantage of the advances in electric mobility already made by ENDESA and its experience in this business, ENDESA promotes new opportunities such as advanced energy solutions, flexibility services and demand management.

- Public Charging:
 - In 2020 actions continued to be taken to reach 2,000 charging points for electric vehicles by 2020, making it easier for any electric vehicle to travel anywhere in Spain.
 - In the second phase (2021-2023), a further 6,500 new public access electric charging points will be installed in shopping centres, car parks, hotel chains, service stations and on public roads to cater to the growth in the electric vehicle market, providing greater charging infrastructure coverage in urban areas and the main strategic transport nodes, both on the mainland and in the islands, bringing the total to more than 8,500 public access charging points.
 - In 2019, the “JuicePass” app was launched, which allows users to locate points, directing access to the point via GPS and managing electric vehicle recharges directly from the mobile phone, with access to all detailed information on the recharging point, prices, load powers and access times. Users can also make reservations, monitor the details of charges in real time and access the history of charge sessions and invoices.
- Private charging:
 - In addition, ENDESA continues to market end-to-end value proposals for the roll-out of private electric vehicle charging, offering electric mobility solutions for residential, business and commercial customers, as well as public administrations; already with our advanced technology included in the “Juice” family of equipment, such as the “JuiceBox”, “JuicePole”, “JuicePump”, etc. recharging units.
 - ENDESA has developed charging infrastructure for domestic use designed for private owners of electric vehicles. The home is the main charging point, where the electric car can be recharged during long breaks, especially at night.
 - ENDESA offers businesses a complete solution that includes installation, equipment supply, associated infrastructure maintenance and remote management with all the information on the use of the recharging infrastructure. Additionally, with the aim of making it easier for companies to switch to electric mobility, ENDESA has partnered with Athlon to create the first “Todo en Uno” or “All-in-

One” electric renting for companies, “OneElectric”, which allows the electric vehicle plus the charging point and its installation to be included in a single fee.

Electrification of public transport.

Guidelines: ENDESA X Servicios, S.L.U., through its e-City division, has a complete proposal to help the Public Administration meet its objectives of electrification of public transport, which consists of advice, installation of charging infrastructure for electric buses and their maintenance, up to the supply of electric buses both in traditional models and in innovative models under the services offered as “Charge as a Service” or “eBus as a Service”.

Areas of action:

Among the projects developed in 2020 by the e-City division, the project carried out for the Transports Metropolitans de Barcelona (TMB) bus network stands out. In 2020 ENDESA X Servicios, S.L.U. was awarded the contract for the installation of 23 chargers in the bus depots, which will be put into service in 2021. The objective is to ensure that the 22 TMB electric buses serving the H16 route are kept charged so as to deliver excellent service to passengers.

Occupational safety

The main actions carried out in 2020 focused on the detection of improvable aspects in Occupational Health and Safety (OHS), as well as in work teams and facilities:

- Projects related to particularly dangerous work:
 - Verification of compliance with basic safety guidelines at work. Of particular note in the Distribution Business Line were the projects “APP5RO” consisting of the verification of compliance with the five golden rules in electrical manoeuvres and “5PPA” regarding work at height and in the Generation Business Line the “In Check” app for the collaboration and verification of the work carried out between operatives and their managers.
 - Delimitation of safe work areas. With the aim of preventing operatives from entering dangerous areas during the execution of the work, the “Volumetric AI for Safety” programme has been developed.
 - Performing manoeuvres. “MARKO” App, used in the Distribution Business Line, in which employees have explanatory documents or videos demonstrating the operation to be carried out.
- Projects related to individual and collective protection and work clothes:
 - Optimisation of Personal Protective Equipment (PPE) with preventive and ergonomic technological innovations with which greater protection, comfort and resistance are achieved.
 - Electric voltage detector for own and contractor personnel developed by the Distribution Business Line.
- Projects related to emergency management:
 - Notification and resolution of emergencies in the facilities. “Emergency App”, an application implemented in thermal generation plants and which is currently being extended to other areas.
- Projects related to safety inspections:
 - Use of software applications, such as the so-called “Track and Rate” and “HSEQ4u”, interconnected with each other to communicate security breaches and at the same time require action plans to solve these situations.

- Remote assistance to inspectors in the field through the “Expert Remote Assistance” programme, used in the Distribution Business Line, to facilitate safety reviews carried out by contracting companies.

9.4. Innovation model

ENDESA has an open innovation model aimed at finding quality ideas to develop innovative solutions to transform the current energy model. Open innovation is a model used by companies to relate to external players (universities, start-ups, research centres and other companies in the same or a different sector) to promote collaboration and the sharing of knowledge.

ENDESA's innovation activities are carried out in close collaboration and synergy with the rest of the ENEL Group, taking advantage both of the Group's laboratories and the best research centres, universities, suppliers and emerging national and international companies.

The following is a summary of ENDESA's innovation model:

- **Identification of technological challenges:** In close collaboration with the Businesses and after an analysis of all the business and technology trends available in the market.
- **Generation of ideas:** To solve the challenges, we work at 2 levels:
 - Internal ideas:
 - (i) “Open Innovability”: An ENEL Group platform for launching innovation and sustainability challenges, for both employees and the global innovation community.
 - (ii) “Innovation Academy”: Specific training programme with the objective of training employees in methodologies and work skills, to enable them as facilitators of the culture of innovation in their fields.
 - (iii) “Open Power Space”. Space created as a collaborative meeting point of reference in the various ENDESA work centres. In this unique environment, the various creative processes that arise from employees, partners and external collaborators are shared, disseminated and launched.
 - (iv) “Make it Happen”: Global entrepreneurship programme within the ENEL Group, which offers ENDESA employees the possibility of becoming entrepreneurs within the Company.
 - (v) “Challenge Driven Sessions”: Workshops for the application of innovative methodologies (“Creative Problem Solving”, “Design Thinking”, “Lean Startup”) for the search for innovative solutions to challenges faced by Society.
 - (vi) “Innovation Ambassadors” Network: Formed by employees of the Company who voluntarily receive specific training to become drivers of innovation within their areas.
 - (vii) Participation in the “ENEL Innovation Communities”; Each of these communities is dedicated to a crucial theme of innovation: artificial intelligence, robotics, drones, blockchain, etc. In total there are 10 communities in which the employees of the different Business Areas participate, sharing their projects, experiences and points of view. In addition, they regularly organise open events to which experts are invited to present their initiatives.
 - External ideas: With channels open to:
 - (i) Entrepreneurs:
 - “ENEL Innovation Hub Europe”: Located in Madrid and in coordination with “ENEL Innovation Holding”, it is responsible for developing the relationship with the European

entrepreneurship ecosystems relevant to the ENEL Group, including the ecosystems of Spain and Portugal, as well as prospecting for European start-ups that can contribute to the achievement of objectives and the resolution of innovation challenges identified by the Group's Business Lines and companies. "ENEL Innovation Hub Europe" is part of the network of ten "Innovation Hubs" that the ENEL Group has deployed around the world in significant entrepreneurship centres and strategic markets for the Group: Brazil, Chile, Spain, Israel, Italy (Milan, Pisa and Catania), Russia and the United States (USA) (Boston and Silicon Valley). Despite the difficult scenario caused by the COVID-19 pandemic, throughout 2020 the activity with entrepreneurship ecosystems continued, taking advantage of digital communication channels, activating more than 60 collaborations with start-ups at the level global.

- Sponsorship and promotion of various significant events that are emerging as meeting points between corporations, entrepreneurs and investors. With this, ENDESA aims to strengthen, incentivise and support the entrepreneurship ecosystem, as well as promoting innovation and creating real business opportunities.
 - (ii) Associations and working groups: Collaboration with various technological platforms and work groups driven by different companies and administrations to share experiences in different areas and technologies.
 - (iii) Suppliers: ENDESA works actively with its suppliers with the objective of developing and incorporating new disruptive solutions arising from the different projects. In this line, it is worth highlighting the "Innovation by Vendors" Programme in which specific challenges are presented to suppliers in order to validate innovative solutions in a shared way and in full mutual cooperation.
 - (iv) Communities of experts: Through innovation challenges launched in the "Open Innovability" platform.
 - (v) Other industries: ENDESA participates in innovation forums with other industries.
- **Sharing the best international practices:** through work groups in which different companies from all the ENEL Group countries participate, success stories are shared both from different countries and from different lines of business and activities (circular economy, initiatives for the disabled, artificial intelligence, "blockchain", drones, virtual reality, etc.) which allows us to be at the forefront of different activities and technologies.
 - **Launch of projects:** after they have been assessed by ENDESA's experts (in accordance with a common methodology based on the initiative's value creation), if the evaluation is positive the ideas are converted into projects which embark upon a structured management and monitoring process.
 - **Capturing value:** once the projects have been successfully completed, they move on to production in order to create value for ENDESA. Furthermore, ENDESA follows a prudent policy regarding the protection of intellectual property.

9.5. Patents and licences

ENDESA owns various patents registered in Spain and/or the European Union and/or in other non-European countries. If appropriate, certain patents are transferred to ENEL Group companies with a licence for their use and, occasionally, they are sub-licensed to third parties.

At 31 December 2020, ENDESA had 10 patents in Spain (12 at 31 December 2010).

10. Environmental protection

10.1. ENDESA's environmental policy

ENDESA considers environmental excellence as a fundamental value of its business culture, and formalises its commitment through the Environmental Policy, the last update of which was approved by the Board of Directors in January 2020, adapting it to the current context and the demands entailed by its commitment to the fight against global warming.

ENDESA carries on its activities respecting the environment and in accordance with the principles of sustainable development, and is firmly committed to the conservation and sustainable use of resources in line with the principles of the circular economy, always applying criteria of excellence.

In fulfilling its environmental commitments, ENDESA identifies, evaluates and manages the environmental aspects and impacts deriving from its activities, striving to minimise the negative and maximise the positive effects by applying the following basic principles of action, which constitute the foundations of its Environmental Policy:

- Integration of environmental management, the focus on the circular economy and the concept of sustainable development into the Company's corporate strategy, using environmental criteria documented in the planning and decision-making processes and in the processes for studying new business opportunities, mergers or acquisitions.
- Permanent monitoring, at all locations, of compliance with the legislation in force and with the voluntary agreements acquired, and regular reviews of its plants' environmental performance and safety, reporting on the results obtained.
- Establishing appropriate management systems to achieve excellence, based on continuous improvement, aimed at preventing pollution and ensuring compliance with applicable environmental legislation in the centres, and with the management standards adopted.
- Sustainable use of energy and water resources and raw materials, and the measurement and reduction of the environmental impact by applying the best techniques and practices available, promoting innovation and establishing actions aimed at combating climate change.
- Protection, preservation and promotion of biodiversity, ecosystems and services in operations relating to its business, focusing on the goal of No Net Loss of Biodiversity.
- Contribution to the fight against climate change through progressive decarbonisation of the energy mix, promoting the development of renewable energies, energy efficiency and the application of new technologies and also offering solutions for a gradual electrification of society.
- Raising awareness of and sensitivity to environmental protection issues, through internal and external training programmes and collaboration with public-sector authorities, institutions and citizens' associations in all areas in which it is active.
- Establishing a constructive dialogue and adopting a collaborative attitude with public administrations, official bodies, shareholders, customers, local communities and other interest groups, and taking into account their expectations, relevant issues and in short the environmental challenges facing society when defining its business strategies, to guide the strategies to respond to these challenges.
- Requiring its contractors and suppliers to implement environmental policies based on these same principles that cover all processes throughout their value chain.

As an indicator resulting from all these efforts, during 2020 and 2019 ENDESA received 114 sanctions and 1 sanction, respectively, in environmental matters. The notable increase in this indicator in 2020 is due, unlike in previous years, to the fact that the Administration has opened a file for each complaint received.

10.2. Environmental investment and expenses

ENDESA's gross environmental investment and expenses in 2020 and 2019 were as follows (see Note 6.4 to the Consolidated Financial Statements for the year ended 31 December 2020):

Millions of euros

| | Annual gross environmental investment | | |
|-------------------------------------|---------------------------------------|------------|---------------|
| | 2020 | 2019 | % Var. |
| Property, plant and equipment | | | |
| Generation and Supply | 51 | 122 | (58.2) |
| Distribution | 10 | 9 | 11.1 |
| Structure and Others ⁽¹⁾ | - | - | N/A |
| TOTAL | 61 | 131 | (53.4) |

(1) Structure, Services and Adjustments.

Millions of euros

| | Annual cumulative gross environmental investment | | |
|-------------------------------------|--|--------------|------------|
| | 2020 | 2019 | % Var. |
| Property, plant and equipment | | | |
| Generation and Supply | 1,527 | 1,476 | 3.5 |
| Distribution | 370 | 360 | 2.8 |
| Structure and Others ⁽¹⁾ | - | - | N/A |
| TOTAL | 1,897 | 1,836 | 3.3 |

(1) Structure, Services and Adjustments.

Millions of euros

| | Annual environmental expenses | | |
|-------------------------------------|-------------------------------|------------|------------|
| | 2020 | 2019 | % Var. |
| Annual expenses | | | |
| Generation and Supply | 207 | 147 | 40.8 |
| Distribution | 31 | 30 | 3.3 |
| Structure and Others ⁽¹⁾ | - | - | N/A |
| TOTAL ⁽²⁾ | 238 | 177 | 4.5 |

(1) Structure, Services and Adjustments.

(2) Of total environmental expenses, Euros 180 million in 2020 and Euros 115 million in 2019 correspond to the depreciation, amortisation and impairment of investments.

10.3. ENDESA's environmental management systems

ENDESA's environmental management systems are widely implemented throughout all its business lines (see Notes 2.2.2 and 39 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2020).

The businesses are monitored at an environmental level by environmental management systems and indicators through which they are implemented. The indicators include the facilities' environmental impact (atmospheric emissions, water consumption, conventional pollutants in effluents, waste, etc.) and enable compliance with all existing legal obligations regarding environmental matters in relation to the business operations to be verified, as well as alignment with the path laid out by ENDESA to evaluate the degree to which the strategic objectives and goals defined.

Advanced environmental management

The certified environmental management system is the foundation upon which all management systems are integrated, depending on the business and the type of facilities, in an effort to complete and take advantage of the synergies these systems provide with respect to comprehensive management and additional reference to the International Standardisation Organisation (ISO) and/or the "UNE" Spanish standards. In this connection, it is worth pointing out the EMAS (Eco-Management and Audit Scheme) rules for thermal power plants and port terminals, the quality systems (ISO 9001) for thermal plants, renewable generation plants, electricity distribution infrastructure, electricity supply, and laboratories, the energy efficiency management systems (ISO 50001) in electricity distribution infrastructures and office buildings and the interior environmental quality certification (UNE 171330-3) for office buildings.

At 31 December 2020, 100% of generation facilities, port terminals and electricity distribution infrastructures were ISO 14001 certified. With regard to office buildings, the Company has been awarded Energy Efficiency System (ISO 50001) and Environmental Management System (ISO 14001) certificates at eleven offices, seven of which also hold certificates for Indoor Air Quality (UNE 171330-3). Certifications under ISO 14001 have also

been maintained for the gas and electricity supply activity through personalised management, technical and economic management of products and services related to energy and the electric vehicles infrastructure plan.

Managing environmental risks and liabilities

To comply with the obligations deriving from the Spanish Environmental Responsibility Law, ENDESA has developed the MIRAT Project, based on a methodology developed at sector level and approved by the Ministry for Ecological Transition and the Demographic Challenge, the objective of which is to establish the mandatory financial guarantee required by this Law for conventional thermal and combined cycle power plants with a thermal capacity of more than 50 MW through an environmental risk analysis. In view of the results of the environmental risk analyses of all thermal and combined cycle power plants, the corresponding formal statements were submitted to the Administration.

ENDESA has implemented a methodology for "Assessment of Environmental Aspects, Impacts and Risks", which is applicable to all of its businesses. Starting from the result of the evaluation of the significance of environmental aspects (as defined in the Environmental Management Systems corresponding to each business), the methodology incorporates the consideration of other aspects of an organisational, strategic, economic, reputational nature, etc. associated with the activity and infrastructure of the businesses. Legal compliance is also evaluated, as well as the effectiveness of the operational controls (technical, documentary, etc.) implemented, to obtain a "residual risk" assessment. The different levels of resulting final risk determine the obligation to launch specific action plans to mitigate the associated environmental risks. The results of this evaluation make it possible to compare the resulting levels of environmental risk between different facilities, businesses, etc. In the field of renewable generation, the analysis has allowed to conclude that in no case are there significant residual risks, and there is an adequate level of control over them. Regarding the field of thermal generation, after the analyses carried out, a reputational risk relating to climate change was identified, which is mitigated by compliance with the planned closure plans for mainland coal-fired thermal power plants, and with the installation of planned new renewable energy capacity.

Lastly, it is appropriate to point out that in its commitment to protecting the environment, ENDESA feels obliged to eliminate environmental liabilities, and, therefore, each facility identifies these liabilities and addresses them within the framework of their environmental management programmes, which may be reflected in their elimination, disposal or reuse.

Environmental footprint

ENDESA calculates its environmental footprint using a methodology based on the most relevant international references, including the guidelines developed by the European Union to calculate the environmental footprint of its organisations and products.

Atmospheric emissions

During 2020, despite the special circumstances caused by the COVID-19 pandemic, ENDESA continued with the exhaustive control system of all its emissions to control them in real time and ensure compliance with the emission limit values at all times. In the same way, it continued with the real-time control of air quality in the surroundings of its facilities. For this, it carries out an exhaustive control and maintenance of the chimney measurement equipment and submits them to annual inspections carried out by external accredited laboratories. ENDESA meets the parameters required by the regulations applicable, implements technology to minimise emissions, and applies corrective measures to the impacts generated. During this year, due to the special circumstances caused by the pandemic, access to the facilities by external entities has had to be adapted, modifying the work procedures to ensure the safety of both external and internal personnel and allow the inspection and quality assurance processes to continue for the facilities' environmental control equipment, as well as taking samples to ensure compliance with the environmental requirements deriving from current legislation.

ENDESA carried out important actions and procedures in 2020 at the plants aimed at complying with the required emission levels:

- In the combined cycle pool ENDESA is investing in the improvement of the combustion systems of its turbines to improve their operational flexibility and improve their emission standards.

- Within the scope of Directive 2010/75/EU of the European Parliament and of the Council of 24 November on industrial emissions and the Best Available Technique Reference Document or BREF for large combustion facilities, important investments to reduce emissions continue in the island generators of the thermal power plants of Mahón (Balearic Islands), Barranco de Tirajana (Las Palmas) and Granadilla (Santa Cruz de Tenerife). In the case of the Mahón thermal power plant, the water injection system in gas turbines 3, 4 and 5 is fed by the discharge from the waste water treatment plant of the neighbouring city of Mahón, which contributes to minimising water consumption, in addition to contributing to the improvement of the quality of the water that reaches the sea.

Additionally, ENDESA's facilities continue to make small modifications within the process of continuous improvement in order to optimise emission control systems and reduce emissions. In the field of automatic measurement systems, throughout 2020 the analysers have continued to be constantly renewed, replacing older ones with more modern ones or installing them in those centres where it was not a legal requirement, as in the Ceuta plant.

Water resources

ENDESA has identified water as a critical resource that will be affected by climate change and the integrated management of water is one of its major concerns. The main tasks in this area entail improvements to consumption efficiency, water quality by controlling dumping and waste water and reservoir management, with an assessment of ecological potential for bird life, control of invasive species and preventing dry-up in regulated rivers.

ENDESA has procedures to control and reduce water dumping and to boost quality, mainly by means of waste water treatment facilities, and conducts regular analyses to pinpoint instances of water stress at its facilities.

Of particular note is the fact that 99% of the water collected by ENDESA for use at its plants is returned to the environment to be reused. In 2020, the water consumption of the facilities located in a water scarcity areas was 155,000 m³ (26,726 m³ in 2019).

Waste

ENDESA has environmental management systems in place that include specific operating procedures for the management of waste produced by all its activities, which are continuously reviewed to detect and drive improvements. Waste-reduction measures focus on reusing oil, removing transformers contaminated with PCB (polychlorophenols), gradually removing components containing asbestos, recovering inert waste, and treating cleaning solvents for reuse.

Of total waste produced by ENDESA in 2020, a significant portion was recovered in external facilities, representing 84% of its total non-hazardous waste and 71% of its total hazardous waste in Spain and Portugal (90% and 67% respectively in 2019).

Conservation of Biodiversity.

Plan for the Conservation of Biodiversity.

In 2020 a total of 26 actions were carried out under the Plan for the Conservation of Biodiversity Plan. Of these, 21 had been started in prior years (3 of which were completed in 2020 and 18 are still in progress) and 5 new actions were begun.

These actions took place throughout Spain and Portugal and included many of ENDESA's business lines. Specifically, generation accounted for 38% of the activities, distribution 27% and the remaining 35% were in the corporate area.

The Biodiversity Conservation Plan's objectives for 2020 remain on the same main action lines as in previous years:

- Adapting the physical environment of the Company's land and facilities and encouraging biodiversity in a manner that is biogeographically compliant.

- Managing environmental factors at the company's facilities to help to improve the habitat of certain species and their biotopes.
- Recognising ENDESA's natural heritage and the ecosystems it is home to, their value and state of conservation.
- Protecting native species in and around ENDESA's plants and controlling invasive species that have a high ecological impact and an impact on ENDESA's business.

Highlights

a) Studies and research.

During 2020, several studies were carried out, notably: the study of the bryophyte population (mosses and liverworts) of the Corta Ballesta Este, in the restored mining area of Peñarroya (Córdoba).

b) Protection of bird life

In 2020, ENDESA started a project for the recovery of lesser kestrel populations in Aragón, in conjunction with Defence and Study of the Environment (DEMA) and with the support of the Government of Aragón. The objective of the project is to reinforce the Aragonese populations of lesser kestrels, and in turn increase the existing knowledge about the use of space made by the species and the evolution of this use over time.

Also noteworthy is the black vulture tagging and monitoring project in the International Tagus Natural Park, a cross-border natural reserve between Spain and Portugal. The conservation entity Hawk Mountain Sanctuary also participates in this project.

c) Social-environmental projects

ENDESA has established a collaboration agreement between the General Directorate of Biodiversity of the Ministry for the Ecological Transition and the Demographic Challenge that will serve to carry out studies subsequent to the national inventory of oak decline or oak dieback, where ENDESA will participate in the experience and knowledge acquired and that can be applied in the territories where it operates.

d) Publications, training sessions and dissemination events.

An article was published in the scientific journal "BMC Research Notes" on the trout transcriptome, a product of the ENDESA research project developed jointly with the University of Lérida and the "Institut de Recerca Biomèdica de Lleida" on ecological, genetic and metabolic effects of trout mobility.

It is worth highlighting ENDESA's reaching the finals of the European environmental awards in the category of Business and Biodiversity for the Project "Integrated evaluation of ecosystem services in the environment of several ENDESA hydroelectric reservoirs", which highlights the importance of the conservation and sustainable use of biodiversity for ENDESA.

On the occasion of the presentation of the ENDESA Experience in Natural Capital and Ecosystem Services, a virtual working breakfast on natural capital was held by the Spanish Green Growth Group ("GECV") and the Spanish Business and Biodiversity Initiative ("IEEB").

e) Other initiatives

It is worth mentioning the participation in other initiatives, such as the working group of the "Life Eurokite" project in which the use of telemetry technology has been sought to identify the use of the spatial habitat of the target species and quantify the key reasons. of the mortality of raptor species in the European Union, or the Spanish Business and Biodiversity Initiative ("IEEB") working group that the Biodiversity Foundation together with the business sector, has set up to promote economic development compatible with conservation of biodiversity, facilitating a solid framework of cooperation between large companies,

Non-Governmental Organisations (NGOs), associations and the Administration, joining efforts to improve and maintain natural capital in Spain.

Environmental restoration

Since 2016 ENDESA has been making progress with its commitment to environmental restoration, through the ENDESA Forest initiative, a programme that contributes to consolidating the Company's decarbonisation path (66% reduction in CO₂ emissions relative to 2005) consisting of the reforestation of degraded and burned land at the national level through seeding and planting techniques using native forest species, as they are the best adapted to the environment (forests absorb GHGs present in the atmosphere and at the same time are a biodiversity niche).

ENDESA has developed four projects in Spain, two of them registered in CO₂ sinks section of the National Registry of Carbon Footprint, Compensation and Absorption Projects of the Spanish Office for Climate Change ("OECC") under the Ministry for the Ecological Transition and Demographic Challenge, becoming a pioneering initiative in the Energy Sector, the Bosque ENDESA La Atalaya (Madrid), and Bosque ENDESA Doñana (Andalusia) projects have already been executed and registered, and the Bosque ENDESA Pirineo (Catalonia) and Bosque ENDESA Teruel (Aragón) projects have been executed and are in the registration phase.

The initiative is a clear example of sustainability, since it involves the generation of a positive impact in the environmental, economic and social fields:

- **Environmental:** it involves mitigating climate change by absorbing CO₂ from the atmosphere, and it also contributes to generating a positive environmental impact in other areas (promoting adaptation to climate change, promoting the recovery of biodiversity, developing the natural capital and ecosystem services, fighting desertification, protecting the water cycle and halting soil degradation from run-off, among others).
- **Economic:** by restoring the forest, the natural capital and associated ecosystem services that it contributes to society especially to the nearby rural environment, are also recovered.
- **Social:** when carrying out reforestation and maintenance work, priority is given to hiring unemployed people, young people, women, people over 45 years of age and people at risk of social exclusion. It also has great potential as a tool to develop environmental awareness, training, dissemination and volunteering activities.

Key Performance Indicators (KPIs) in environmental matters.

In 2020 and 2019, the environmental KPIs evolved as follows:

| Key Performance Indicators (KPIs) ⁽¹⁾ | Unit | Description | 2020 | 2019 |
|---|-----------------------|---|------------|------------|
| CO ₂ Emission Rights | g/kWh | Specific emissions of carbon dioxide (CO ₂). | 180 | 282 |
| Specific Water Capture in Generation | l/MWh | Specific capture of water for industrial use for the electricity generation process. | 91 | 370 |
| Carbon Dioxide (CO ₂) Emissions Scope 1 of Greenhouse Gases (GHG) | Metric tons (t) | Emissions of greenhouse gases (GHG) of Scope 1 of the carbon footprint, which includes direct emissions of greenhouse gases from sources controlled by the Company (includes emissions from electricity production at thermal generation plants, use of sulphur hexafluoride (SF ₆), methane leaks generated in hydroelectric plant reservoirs, office air conditioning and own fleet). | 10,298,760 | 17,470,846 |
| Carbon Dioxide (CO ₂) Emissions Scope 2 of Greenhouse Gases (GHG) | Metric tons (t) | Emissions of greenhouse gases (GHG) of Scope 2 of the carbon footprint, which includes the technical losses produced during the distribution of electric power not generated by the Company. | 512,960 | 723,653 |
| Carbon Dioxide (CO ₂) Emissions Scope 3 of Greenhouse Gases (GHG) | Metric tons (t) | Emissions of greenhouse gases (GHG) of Scope 3 of the carbon footprint, which includes those emissions that are not produced by sources controlled by the Company, but are a consequence of its activity. | 22,663,490 | 27,675,782 |
| Evolution of Specific Emissions of Sulphur Dioxide (SO ₂) | gSO ₂ /kWh | Specific emissions of sulphur dioxide (SO ₂). | 0.17 | 0.43 |
| Evolution of Specific Emissions of Nitrogen Oxide (NO _x) | gNO _x /kWh | Specific nitrogen oxide emissions (NO _x). | 0.77 | 0.94 |
| Evolution of Specific Particle Emissions | g/kWh | Specific emissions of particles. | 0.01 | 0.02 |

(1) Source: In-house.

11. Human resources

11.1. Workforce.

At 31 December 2020, ENDESA had a total of 9,591 employees, 3.6% fewer than a year earlier. ENDESA's average workforce in 2020 was 9,721 employees (-0.4%).

ENDESA's final and average headcounts in 2020 and 2019, by Segment, category and gender, were as follows:

| Number of Employees | Headcount at end of period | | | | | | % Var. |
|-------------------------------------|----------------------------|--------------|--------------|------------------|--------------|--------------|--------------|
| | 31 December 2020 | | | 31 December 2019 | | | |
| | Men | Women | Total | Men | Women | Total | |
| Managers ⁽¹⁾ | 217 | 54 | 271 | 221 | 53 | 274 | (1.1) |
| Middle Management | 2,380 | 1,152 | 3,532 | 2,319 | 1,123 | 3,442 | 2.6 |
| Administration staff and operatives | 4,638 | 1,150 | 5,788 | 5,033 | 1,203 | 6,236 | (7.2) |
| TOTAL EMPLOYEES | 7,235 | 2,356 | 9,591 | 7,573 | 2,379 | 9,952 | (3.6) |

(1) At 31 December 2020, 19.3% were women (17.6% at 31 December 2019).

| Number of Employees | Headcount at end of period | | | | | | % Var. |
|-------------------------------------|----------------------------|--------------|--------------|------------------|--------------|--------------|--------------|
| | 31 December 2020 | | | 31 December 2019 | | | |
| | Men | Women | Total | Men | Women | Total | |
| Generation and Supply | 3,596 | 1,041 | 4,637 | 4,153 | 1,143 | 5,296 | (12.4) |
| Distribution | 2,503 | 440 | 2,943 | 2,527 | 442 | 2,969 | (0.9) |
| Structure and Others ⁽¹⁾ | 1,136 | 875 | 2,011 | 893 | 794 | 1,687 | 19.2 |
| TOTAL EMPLOYEES | 7,235 | 2,356 | 9,591 | 7,573 | 2,379 | 9,952 | (3.6) |

(1) Structure and services.

| Number of Employees | Average headcount | | | | | | % Var. |
|-------------------------------------|-------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2020 | | | 2019 | | | |
| | Men | Women | Total | Men | Women | Total | |
| Executives | 221 | 54 | 275 | 227 | 52 | 279 | (1.4) |
| Middle Management | 2,334 | 1,120 | 3,454 | 2,231 | 1,064 | 3,295 | 4.8 |
| Administration staff and operatives | 4,833 | 1,159 | 5,992 | 5,015 | 1,172 | 6,187 | (3.2) |
| TOTAL EMPLOYEES | 7,388 | 2,333 | 9,721 | 7,473 | 2,288 | 9,761 | (0.4) |

Number of Employees

| Number of Employees | Average headcount | | | | | | % Var. |
|-------------------------------------|-------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2020 | | | 2019 | | | |
| | Men | Women | Total | Men | Women | Total | |
| Generation and Supply | 3,937 | 1,092 | 5,029 | 4,094 | 1,085 | 5,179 | (2.9) |
| Distribution | 2,498 | 434 | 2,932 | 2,505 | 434 | 2,939 | (0.2) |
| Structure and Others ⁽¹⁾ | 953 | 807 | 1,760 | 874 | 769 | 1,643 | 7.1 |
| TOTAL | 7,388 | 2,333 | 9,721 | 7,473 | 2,288 | 9,761 | (0.4) |

(1) Structure and services.

By gender, at 31 December 2020, 75% of ENDESA's workforce were male and 25% were female.

Information on ENDESA's workforce is provided in Note 37 to the Consolidated Financial Statements for the year ended 31 December 2020.

11.2. Occupational Health and Safety (OHS).

ENDESA considers Occupational Health and Safety (OHS) a priority and a fundamental value to preserve at all times for all, without distinction between its own personnel and that of its partner companies. The integration of the aforementioned objective in ENDESA's strategy is specified in the implementation of the Occupational Health and Safety (OHS) Policy in all the companies that make up ENDESA. The Joint Prevention Service, in coordination and jointly with the rest of the "Health & Safety, Environment and Quality" units of the different Business Lines, has had an impact in 2020 on six basic pillars or main axes of its preventive activity:

Occupational Health and Safety (OHS) Awareness Raising.

It is worth highlighting in this chapter, the dissemination of health recommendations relating to the COVID-19 pandemic, as well as advice on healthy habits that help in working safely from home (including ergonomic recommendations to avoid musculoskeletal disorders). Along these lines, the implementation of seasonal campaigns continued (prevention due to high temperatures, safe driving, disconnection for vacation wellness, vaccination against the common flu, etc.), with the launch of informative material (“newsletters”, videos, infographics, etc.) and lessons learned about accidents.

Observation and control of activity.

Attention has been given to the verification of the safety status at a general level, through the inspection and audit plans, including the review of compliance with standards, procedures and processes and their implementation at the operational level (inspections, "Safety Walks", "Extra Checking On Site" (ECoS), etc.).

Another focus of special attention was the improvement and adaptation of the facilities to the situation caused by COVID-19 (new spaces, new work models and staff organisation, signage of buildings, determination of maximum capacity, standards and disinfection and sanitation protocols, relationship with contractors, cellularisation of buildings and facilities, review of automatic fire detection and extinguishing systems, etc.).

Collaborating companies.

For yet another year, the criteria for a periodic verification of compliance with a series of legal requirements by contractors, as well as their monitoring and control, were set in a coordinated manner. Likewise, supplier safety evaluations were carried out to identify critical areas, as well as audits or assessments of contractor companies.

Also, instructions were provided to the Health and Safety Coordinators for the incorporation of COVID-19 Action Plans in construction works and COVID-19 instructions and posters for ENDESA's Service Points were developed.

Occupational Health and Safety Management System.

In 2020, ENDESA's new Occupational Health and Safety Management System was approved, in accordance with ISO 45001, allowing ENDESA to identify Occupational Health and Safety (OHS) risks and collaborate in their control, reduce accidents, support the control of compliance with the laws and improve performance in general, promoting a safe and healthy environment.

Innovation, improvements in equipment and technologies.

In line with the process of digital transformation and technological innovation, the "Health & Safety, Environment and Quality" teams of the various Business Lines and the Joint Prevention Service worked for each perimeter in the implementation of various digital tools.

It is worth noting that in the current context caused by the COVID-19 pandemic, the automation of various remote information management processes became especially important.

Workplace risk prevention, training and inspections

To ensure that all operations are performed safely, ENDESA has for some years had in place a company-wide safety inspection programme. Inspections are performed partly by the company's own personnel and partly through collaborating entities that have previously received training on ENDESA's work procedures and on actions or behaviours that we consider not to be acceptable from the standpoint of preventing risks at work.

The Workplace Risk Prevention Management System requires any accident that occurs in the Company to be investigated. For serious, fatal or significant accidents (including accidents involving electricity or working at height) an investigation committee must be set up to analyse the event in detail, using “Root Cause Analysis” methodology. Further, for any significant accident, once the causes have been clarified and the preventive measures to be implemented have been specified, a “Lessons Learned” report is prepared to raise awareness across the rest of the organisation of the measures being undertaken to prevent such accidents for happening again.

Regarding preventive training, and given the circumstances caused by COVID-19, the Occupational Health and Safety (OHS) courses from the ENDESA catalogue continued to be taught in online and virtual mode, as well as training programmes focused on healthy behaviours and habits that favour prevention for workers and their environment. It is worth highlighting courses such as the one on preventing out-of-office work risks or the one recently designed on ENDESA's Occupational Health and Safety Management System according to ISO 45001. In 2020, work continued on the automation of information management for the periodic monitoring of the training of workers in Occupational Risk Prevention (ORP).

Key Performance Indicators (KPIs) relating to Occupational Health and Safety (OHS).

In 2020 and 2019, the KPIs for Occupational Health and Safety (OHS) evolved as follows:

| Key Performance Indicators (KPIs) | 2020 | 2019 |
|---|--------|---------|
| Workforce Training in Occupational Health and Safety (OHS) (number of hours) | 59,186 | 108,067 |
| Attendance of Training Courses on Occupational Health and Safety (OHS) ⁽¹⁾ | 5,755 | 6,587 |
| Safety Inspections ⁽²⁾ | 73,547 | 81,728 |
| Safety Walks ⁽³⁾ | 386 | 286 |
| Extra Checking on Site (ECoS) ⁽⁴⁾ | 13 | 21 |
| Own frequency index ⁽⁵⁾ | 0.18 | 0.37 |
| Own severity index ⁽⁶⁾ | 0.08 | 0.03 |
| Combined frequency index ⁽⁷⁾ | 0.36 | 0.68 |
| Combined severity rate ⁽⁸⁾ | 0.06 | 0.06 |
| Number of accidents ⁽⁹⁾ | 18.42 | 35.98 |

(1) Number of employees attending preventive training courses during the year (no.)

(2) Number of safety inspections of works/projects carried out by own workers and contractors (no.)

(3) Number of safety visits to facilities and work centres by Management, accompanied by prevention technicians, to check the state of the facilities, compliance with OHS standards and workers' due regard for health and safety in their behaviour (no.).

(4) Number of safety visits by experts from different countries to a centre to share best preventive practices (no.)

(5) Own frequency index (own personnel) = (Number of accidents / Number of hours worked) x 10⁶.

(6) Combined severity rate (own personnel) = (Number of days lost / Number of hours worked) x 10³.

(7) Combined frequency index (own and subcontracted personnel) = (Number of accidents / Number of hours worked) x 10⁶.

(8) Combined severity index (own and subcontracted personnel) = (Number of days lost / Number of hours worked) x 10³.

(9) Of which 5 in 2020 and 3 in 2019 were serious or fatal accidents.

11.3. Responsible personnel management

ENDESA is committed to a sustainable approach to people management, promoting good practices in hiring, remuneration, labour relations, training, selection, etc. and with initiatives that favour a healthy and safe work environment and promote well-being, work-life balance, equal opportunities, diversity and inclusion.

ENDESA believes in diversity among its employees as an enriching element. The progressive increase in the proportion of women in the workforce, the incorporation of people of other nationalities, as well as young people to rejuvenate the workforce, the recognition of the most veteran people and the integration of people with disabilities are signs of respect for the different dimensions that make up its Diversity and Inclusion Policy (age, gender, culture and disability).

Along these lines, in 2020, ENDESA worked in each of the following dimensions, developing various activities as described below:

Diversity and equal opportunities

As part of its policy on Diversity and Inclusion, ENDESA rejects all forms of discrimination and undertakes to guarantee and promote diversity, inclusion and equal opportunities in all dimensions covered by the policy (gender, age, disability and nationality):

a) Gender.

ENDESA promotes gender equality in all areas, paying special attention to both internal and external gender objectives, which are included in the Strategic Sustainability Plan (2021-2023):

| | 2020 | Targets 2021-2023 | | |
|--|------|---|------|------|
| | | 2021 | 2022 | 2023 |
| Increase the presence of women in positions of responsibility (% women) | | | | |
| Management Positions | 18.5 | 20.0 | 20.0 | 20.5 |
| Intermediate positions | 32.8 | 33.0 | 33.3 | 33.5 |
| Promotion of gender diversity in selection processes (% women) | 36.0 | 50.0 | 50.0 | 50.0 |
| Promotion of gender diversity in personnel recruitment (women as overall % of total hires) | 38.0 | 39.0 | 39.0 | 40.0 |
| Professional guidance in STEM ⁽¹⁾ areas for women | | >2,500 women involved in the period 2020-2023 | | |

(1) Science, Technology, Engineering and Mathematics

The data and results of the actions carried out in matters of gender diversity are published monthly and progress is analysed against the objectives set for the year. Compared with the previous year, the number of women increased both in the selection processes, as well as in the Board of Directors and in positions of responsibility:

| Women as % of Total | 2020 Objective | 2020 | 2019 |
|---------------------------|----------------|------|------|
| Board of Directors | 30.0 | 30.7 | 18.2 |
| Management Positions | | | |
| Management Positions | 18.5 | 19.7 | 18.6 |
| Intermediate positions | 32.8 | 32.6 | 32.5 |
| Selection Processes | | | |
| Short List ⁽¹⁾ | 36.0 | 36.1 | 27.6 |
| Hires | 38.0 | 32.2 | 35.3 |

(1) List of finalist candidates in the selection processes.

Policy enforcement.

ENDESA has an Equality Plan that sets up a framework of action to promote effective equality, equity, development, reconciliation of work and personal life and joint responsibility among all professionals, and which is part of the “V ENDESA Framework Collective Agreement”.

Furthermore, ENDESA has defined a Gender Diversity Action Plan, aligned with the Diversity and Inclusion Policy, with three main objectives: increasing the presence of women in the Company, as well as in positions of responsibility and guaranteeing equality in terms of pay. To achieve these goals, various initiatives are pursued, structured around four pillars:

- Talent attraction: incorporating inclusive language and parity in the selection processes through STEM programmes such as “Orienta-T” and “Dismantling Stereotypes”.
- Awareness: with actions such as “HER knowledge pill”, “Conscious Decisions” and “CEOs for Diversity: Actions Map”.
- Work/life balance: reflected in the Equality Plan as well as in 68 measures contained in the “V ENDESA Framework Collective Agreement”. Likewise, the “Parental Programme” and the “Managing Children” Programme have been carried out.
- Female leadership: through programmes such as “Take the Lead” and “Woman Mentoring”.

In addition, complementary actions are carried out:

- Communication: with the celebration of “International Women's Day”, “International Day for the Elimination of Violence against Women”, “Days of Diversity”, the organisation of conferences such as “We Meet Together: SDG 5 and the broadcasting of the Video Thermometer of Diversity and dissemination in the social media.
- Establishment of external commitments with Public Administrations: Within the framework of the voluntary commitments that ENDESA has acquired with the Ministry of Equality, the following are worth highlighting: the “Equality in the Company” badge and the “More Women, Better Companies” and “For a Society free of Violence in Gender” initiatives. Likewise, there are other types of commitments with other entities: “CEOs for Diversity” and compliance with SDG 5 (Gender Equality).
- Follow-up and monitoring of the evolution of the actions and their impact through the Equality Committee made up of social representatives and with the elaboration of different indices such as the “Dow Jones Sustainability Index” and the Bloomberg Gender Diversity Index and reports such as the quarterly diversity report, the diversity thermometer and the MERCO report.

b) Age:

ENDESA works on the recognition and management of differences between generations, ensuring integration, motivation and knowledge transfer. To this end, during 2020 actions were carried out such as a mentoring programme aimed at young people who have just joined ENDESA; and Programmes aimed at valuing senior talent through knowledge transfer initiatives and recognition of their experience, such as: “Our Highest Values”, an initiative aimed at employees over 55 years of age with an exceptional contribution in their professional career, who receive recognition from the organisation, their direct manager and their peers, in the form of participation in experiential or business activities.

c) Disability.

ENDESA develops actions in the field of integration of people with disabilities, collaborating with foundations working to this end. These actions are specified both in projects that favour the work placement of this group, as well as in services that support employees with disabilities (82 employees with disabilities at 31 December 2020).

- Family Plan of the Adecco Foundation: counselling and assistance therapies for family members with disabilities. Through this plan, 76 family members with disabilities received personalised counselling and therapy in 2020.
- With Randstad Foundation: a specialised service for consultation and advice on disability is provided.
- With the Prevent Foundation and the Universia Foundation: support was given to various scholarship programmes for the training of students with disabilities.

In addition to collaboration with foundations, ENDESA has identified a reference person who is responsible for centralising all issues and serving both managers and employees on this subject.

ENDESA complies with current regulations on disability, as approved in the General Disability Law, and also as a sign of our commitment to the inclusion of people with disabilities, ENDESA has subscribed to “Valuable 500”, an initiative directed at 500 private sector companies with the aim of promoting and integrating the business, social and economic value of people with different capacities around the world. ENDESA, which already has disability on the agenda of its Board of Directors, has thus acquired a public commitment to action on disability.

d) Nationality:

ENDESA is committed to the recognition, respect and integration of people with different nationalities working in the Company. Within this framework, a mentor from the host country is assigned to help expatriates in their integration, both personal and professional.

To give visibility to all the foregoing actions, the “Diversity Days” continued to be held in 2020, this year virtually due to the situation caused by the pandemic, through a global platform for all the countries of the ENEL group.

Work-life balance and flexibility.

ENDESA continued to promote several lines of action that consolidate the culture of flexible work and that favour the reconciliation between the professional and personal life of all workers, men and women, promoting co-responsibility.

Among them is the Working Away from the Office initiative, an innovative way of working based on trust that allows employees greater flexibility and independence in choosing their place, time and way of working. As a result of the emergence of COVID-19, this “Working Away from the Office” mode has evolved to respond to the legal requirements deriving from the implementation of the State of alarm, at which time more than 6,000 people switched to working from home. Throughout 2020 it continued to be applied in all cases where it was possible to carry out the activity remotely, as a way of protecting employees from infection while still supporting and accompanying them to maintain motivation and results.

In addition to “Working Away from the Office”, there is the possibility of adapting the working day to the needs of the employee, through time flexibility, the temporary change of working hours, the reduction of the working day, unpaid leave for taking care of family members, paid leave and unpaid absences, all measures that help to find a balance between the personal needs of employees and their aspirations for professional growth.

In addition to flexible work measures, and in line with co-responsibility, ENDESA develops parental programmes aimed at balancing the needs of people as parents and their aspirations for professional growth. These consist of a series of structured interviews between employees, their managers and the “Business Partners”, before and after the maternity/paternity experience to increase their value, both for the worker and for ENDESA.

The main objectives pursued by this initiative are the following:

- Optimal management of the maternity/paternity period to facilitate reconciliation between the duties of parenthood and career aspirations;
- Introduction of a new cultural attitude to maternity/paternity that values the acquisition of new skills instead of focusing on absence from work;
- Involving and valuing new parents in the organisation during the maternity/paternity period and when they resume work with ENDESA; and
- Creating a work environment of mutual trust between manager and worker with the intention of sharing and caring for the new family dimension, making it easier for people to contemplate parenthood with ease of mind and renew their commitment to their work.

The number of employees benefiting from one or more of the lines of action aimed at reconciling personal and family professional life at ENDESA in 2020 was 7,583 (5,365 men and 2,218 women), details of each line of action being as follows:

| | Men | Women | Total |
|---------------------------------------|-------|-------|-------|
| Work Out of the Office | 4,098 | 2,082 | 6,180 |
| Train Yourself” programme | 3,223 | 1,427 | 4,650 |
| Flexible working hours ⁽¹⁾ | 1,119 | 1,033 | 2,152 |

(1) Time flexibility, reductions in working hours and temporary change of time regime.

Promotion of volunteer work

ENDESA encourages corporate volunteer work and cooperates on numerous social development projects with the involvement of its employees. Corporate volunteers are a catalyst for other initiatives and bring the Company closer to its stakeholders, fostering the development and commitment of the participants. Further, it reflects a commitment to the development of the communities in which it operates, contributing to activities that raise interest in the Company and its stakeholders. The most outstanding volunteer projects deal with facilitating access to energy, helping vulnerable groups, promoting employability, and improving the environment.

As a result of the pandemic, numerous volunteer initiatives were put on hold in the first half of 2020, while in the second half all those that could be carried out online were reactivated. 24 volunteering projects were carried out, involving 485 volunteers during working hours and 69 after-hours. Of the total of 554 volunteers, 69 collaborated both in and out of working hours. These projects involved a total contribution of 1,341 hours during working hours, worth approximately Euros 60,000, and 207 non-working hours.

As a result of these actions, over 41,000 people benefited from these initiatives in 2020.

11.4. Employment climate

During 2020, action plans were put in place in various areas of the organisation and at all levels, with the aim of accompanying employees during the health crisis, focusing on safety and with the aim of increasing physical and emotional well-being, as well as maintaining their motivation and commitment to ENDESA.

The initiatives carried out in 2020 aimed to leverage ENDESA's strengths and values to address the areas of improvement identified. A large number of these were aimed at further improving management skills in environments that are increasingly digital, flexible and diverse. Another important group of measures was aimed at encouraging employee participation in decision-making on projects and processes, developing the values of trust, proactiveness, responsibility and innovation on which ENDESA bases its management model.

As an example of some actions included in these climate action plans, it is worth highlighting: accompanying actions for employees ("We Follow Together" Appetisers), actions on leadership, time management and emotional management, as well as projects to increase pride of belonging ("We change" programme). So that people have them available and can consult them to apply them in their day-to-day lives, a specific site has been created on the intranet.

In addition, these climate action plans include the implementation of a new work model to establish a formula for managing teams, personal relationships, organising activity and reinforcing confidence in and commitment to ENDESA. Within this framework, a Back to the Office plan is being prepared for when the health situation allows it. This is a flexible plan, which will be continuously monitored and adapted or modified as the health situation and regulations evolve. The Plan includes standard actions: informative videos/publication of articles on the web, creation of apps/posters, signage in work centres, recommendations for carrying out remote work as well as for preventing COVID-19, actions to reactivate team spirit and tools to improve remote management skills.

The health crisis caused by COVID-19 has forced ENDESA to transform its work model, and in line with the objective of ensuring the well-being of employees and their commitment to the Company, various surveys have been carried out at different levels of the organisation, to ascertain the opinions and feelings of employees as well as their adaptation to the new remote working model, incorporating items on leadership, motivation, workload and commitment. The participation rate of the management team in the last survey carried out reached 93% and in the rest of the employees 78%. The results were shared with the entire staff through an infographic that shows the score obtained in the different items and the main improvement actions. The action plan was shared in greater detail with the managers in virtual sessions and with the Management Committee.

Also, all the climate action plans carried out during financial year 2020 were periodically monitored, to ensure compliance with the planning and the objectives set.

In addition, ENDESA carries out a climate survey every 2 years to ascertain the motivation and commitment of employees to the company. At the end of 2020, a new climate survey called "Open listening - interview to build our future" has been carried out, as a satisfaction sensor in all the territories in which ENDESA is present. In this survey, the employee engagement score was 90/100, exceeding the target of 70/100 set in the Sustainability Plan for this indicator. In the previous survey, carried out in November 2018, a result of 60.5/100 was obtained.

11.5. Leadership and personal development

ENDESA constantly works to identify and develop people's potential. From this standpoint, talent management ensures personal development on merit and their contribution.

ENDESA's leadership model is based on the Company's vision, mission, values and codes of conduct. The "Open Power" values (Responsibility, Innovation, Trust and Proactiveness) are present in all people management processes.

ENDESA has carried out various professional development actions adapted to the specific needs of each business, such as the following: Highlights:

- “Coaching”: ENDESA offers its employees the possibility of participating in both individual and team coaching processes. The processes are facilitated by the Internal Coaching Network, made up of more than 35 internal coaches, who constitute a benchmark among IBEX-35 companies. In 2020 ENDESA was once again recognised as one of the most influential organisations linked to coaching, being awarded on this occasion the first prize of Expocoaching 2020 for its work promoting the personal and professional development of people at ENDESA through coaching.
- Skills Workshops: ENDESA continued to carry out the “Manager Coach” and “Manager Coach +” courses, aimed at people managers for the development of skills, competencies and tools related to coaching. In its commitment to the culture of feedback, the coaching tools are an element that contributes positively to the management of teams in highly efficient environments.
- Mentoring: Continuing with the line of action started in previous years, ENDESA maintains this knowledge transfer project in which leading professionals in a specific competence or area of knowledge tutor and mentor other colleagues for a period of between three and six months.
- Human Resources Consulting: One of the great achievements of this development is being able to put in place tailored solutions for businesses that need it. One of the most noteworthy milestones of 2020 was the project of emotional accompaniment to the Generation Business in the context of uncertainty experienced by employees in the face of the change caused by the decarbonisation of the Sector and the change of technologies in the processes of energy production based on renewable technologies. This project contributed positively to the relocation process of these employees, making them emotionally predisposed to the “re-skilling” processes that have been deployed.
- Succession Plan: In 2020 ENDESA continued with the identification of successors for the positions of greatest managerial responsibility. Identification is governed by shared suggested criteria, giving relevance and opportunity to women and young persons. These criteria contribute to the achievement of the Gender Diversity objectives, to which ENDESA is fully committed. As part of the Succession Plans process, development actions have been identified for the people designated as successors based on their needs, which are integrated into the annual development plans of all ENDESA employees.

Throughout 2020 ENDESA kept the Open Feedback process open to the entire organisation in order to promote the culture of exchanging feedback at all levels, which results in the continuous improvement of results and the work environment. For the “Evaluation 2020” process, the group of eligible persons is currently set at 8,301, which represents 86.6% of ENDESA employees.

Also, at 31 December 2020, 36.5% of ENDESA employees receive variable remuneration based on objectives, representing a total of 3,505 employees. During 2020, 3,242 evaluations of the objectives of the year 2019 were carried out.

Key Performance Indicators (KPIs) relating to evaluation of performance and objectives.

In 2020 and 2019, the KPIs relating to evaluation of performance and objectives evolved as indicated hereunder:

Percentage (%)

| Key Performance Indicators (KPIs) | 2020 | 2019 |
|--|------|------|
| Employees with Variable Remuneration Linked to Evaluation by Objectives ⁽¹⁾ | 36.5 | 32.6 |
| Employees Involved in Performance Evaluation ⁽²⁾ | 86.6 | 84.8 |

(1) Employees with a variable component of their salary linked to the achievement of the objectives of the Company.

(2) Employees participating in the evaluation of behaviours and/or values of the company through the “Open Feedback” (OF) tool.

11.6. Training

In its commitment to its employees, ENDESA focuses on their training and offers a wide range of learning actions to provide and improve the technical qualifications they need in the performance of their duties and to grow in their personal development.

With content that transcends the strictly work-related, in its learning strategy ENDESA offers training actions to reinforce the well-being of people by taking care of their mind, body and emotions.

In 2020, ENDESA held 4,418 training sessions, in which 9,444 employees took part. 348,700 training hours were given, with an average of 36.4 hours per employee.

To undertake this activity, ENDESA invested Euros 31 million, Euros 12 million of which were for direct training costs.

ENDESA's responsible commitment to compliance with legislation in force concerning each and every area in which it operates entails a large number of training activities, notably on Occupational Health & Safety (OHS), the Environment, Sustainability and Digitisation.

Occupational Health and Safety (OHS) training.

With regard to Occupational Health and Safety (OHS), the workplace risk prevention courses are compulsory for all employees, and consist of both online methodologies and classroom sessions depending on contents and the target audience. Specific courses of action are carried out for positions with specific levels of responsibility in relation to prevention, such as: the Prevention Representatives, Prevention Resources and members of emergency teams. Courses and recycling workshops are used to update knowledge of regulations and also of ENDESA's own procedures.

The most significant programmes in 2020 in this area were:

- Prevention of occupational risks at work away from the office.
- Leadership in prevention.
- ISO 45001 (Occupational health and safety management systems - Requirements and guidance for use).

Energy sustainability training

Commitment to sustainable development is an essential part of ENDESA's activity. Therefore, training in this area is important, with the design, development and implementation of courses aimed at making sure that employees take on board the sustainability principles in their private and professional activities, and by changing their energy behaviour become examples for society to follow.

The most significant programmes in 2020 in this area were:

- “Education4All”: Sustainability Fridays”.
- Circular economy: inspire-action cycle.

Environmental training

Environmental training was further strengthened in 2020 with around 2,463 hours of training provided to ENDESA employees. With this training, the Company complied with requirements for the various different certifications that it holds - ISO 14001, energy efficiency and Integrated Environmental, Energy Efficiency and Indoor Air Quality Management System.

The “Raising Environmental Awareness” online course, available to all employees, reviews the progress made by people in their relationship with the environment and, in particular, the nature of ENDESA's relationship with and commitment to the environment.

Training on digitisation.

Training on digital transformation was an important chapter in 2020, with 33,174 hours taught.

ENDESA's digital skill training programmes allow people to add to their technical knowledge of technology, change management skills that are the new paradigm of the digital age and the new working model, to attain a more systemic vision and achieve a positive, sustainable impact.

Working Away from the Office, implemented in 2017, was extended to the majority of the workforce and with this, training in digitisation was increased in quantity, quality and efficiency, to promote transformation; help people to change, to grow, to gain efficiency; and strengthen our values: trust, proactivity, innovation and responsibility.

The most significant programmes in 2020 in this area were:

- Digital Routines in 21 days (R21D).
- *Seguimos Junt@s* (“We continue together”).
- *enData*.

Other training activities

Through its courses in management, social and leadership skills, ENDESA provides employees with tools to ensure their personal and professional development. These courses are managed transversally among different Lines of Business Lines and Support Areas. The hours in skills management programmes reached 55,036 hours in 2020, a figure much lower than the previous year due to the current situation and the difficulty of carrying out these training actions online.

Training in agile methodologies has been a key part of the company's goal of implementing agile management methods. In 2020 the “Let’s talk about Agile” programme was consolidated. Intended for all employees, the idea is for them to learn about the components of the agile method and how it works, and also the reasons and basic considerations for implementing the standard agility model and starting to work in accordance with this methodology.

“New Ways of Working” required training courses which focused on developing innovation and creativity skills, with courses such as “Design Thinking”, “Visual Thinking”, “Lean Startup” and “Creative problem solving.”

ENDESA is also constantly committed to providing employees with technical training. This assists their professional development and gives them the qualifications to go about their tasks. Some 86,817 hours of technical instruction were taught in 2020 in the areas of Generation, Renewables, Infrastructures and Networks, Supply, Global Digital Solutions (GDS), Procurement and Support Areas.

Training on diversity and inclusion constituted a very important chapter in 2020 with the development of: “HER”; “Unconscious Biases”, “Take the Lead” and “Dismantling Stereotypes”.

Finally, and since it belongs to the ENEL Group, ENDESA is keen to provide language classes, chiefly English and Italian, with a wide range of programmes in different formats.

New hires also enjoy specific “onboarding” learning programmes that facilitate the acquisition of the knowledge and skills necessary for the development of their duties.

Key Performance Indicators (KPIs) relating to the training activity.

In 2020 and 2019, key performance indicators (KPIs) for training evolved as follows:

No. of Hours

| Key Performance Indicators (KPIs) | 2020 | 2019 |
|---|---------|---------|
| Training ⁽¹⁾ | 348,700 | 402,953 |
| Promotion of Employee Training ⁽²⁾ | 36.4 | 40.5 |
| Digital Skills Training ⁽³⁾ | 33,174 | 22,559 |

(1) Training given to the workforce.

(2) Average training given to each employee.

(3) Training in digital skills given to the workforce.

11.7. Attracting and retaining talent

In order to attract the best talent, ENDESA focuses on Employer Branding to promote the company in the job market and be considered an attractive place to work. The focus in recent years has been the attraction of young talent, and especially STEM profiles (Science, Technology, Engineering & Mathematics) that contribute to the digital transformation on which ENDESA is focused.

In this regard, the “Flow Your Talent” project aims to enhance skills and develop young talents. Within this framework of action, we highlight initiatives such as virtual job fairs, events specialised in digital profiles, “Recruitment Day”, “Big Data Talent Virtual” and “Speed Dating IT” (formulas for identifying digital talent).

In addition, with the aim of enhancing the employability of young people with a view to their incorporation into the labour market, activities such as ENDESA’s “Talent Day” were held. Attendees had the opportunity to learn, through the experiences of mentors from ENDESA and other large companies, which skills and competencies are most demanded, strategies for looking for a job, how to prepare a c.v. and how to carry out a job interview.

International mobility.

In 2020, ENDESA continued to roll out international mobility programmes for employees in order to contribute to their development in international arenas, widen their global business vision and boost their technical knowledge.

International mobility programmes were efficiently managed and promoted a global career, thus enhancing a multinational culture. In 2020, ENDESA managed 52 processes for expatriate employees and 16 for returnees.

In these processes, special attention is paid to the following aspects:

- Ensuring that expatriate staff maintain living conditions similar to those of the country of origin.
- Compensating for difficulties related to expatriation.
- Offering a significant package of employee benefits.

In the framework of compliance with the Diversity Policy, special attention is paid to the integration of the expatriate in the destination, by assigning a tutor/mentor during the expatriation period.

Personnel selection

With regard to filling vacancies, ENDESA encourages the participation of employees in the selection processes, in order to favour internal mobility and provide development and learning opportunities to employees.

In cases where it is not possible to promote employees from within the company, the company seeks to hire people directly linked to the Company through internships, scholarships or specific temporary contracts.

If this option is exhausted, vacancies are offered on the ENDESA website and various job portals.

The selected candidates, in addition to meeting the required technical profile, must also have the competence profile and values promoted by the corporate culture “Open Power”.

During 2020 due to the pandemic, the candidates' capacity for autonomy and discipline was also analysed, to ensure they could easily integrate and work from home from the first day in the company.

In 2020, some 200 external job vacancies were processed for permanent and temporary staff in Spain and Portugal.

Scholarship programme.

During 2020, more than 170 young graduates joined the ENDESA Scholarship Programme. The training projects associated with the scholarships allow young graduates to:

- Put into practice the knowledge acquired during their university training.
- Integrate into the real activity of a company.
- Develop personal skills that complement the technical knowledge acquired. For this they have the opportunity to take a master's degree in productivity and personal development.

The sum of these 3 variables allows students to optimise their development and improve the level of employability to continue with their professional career.

Since March 2020, all the interviews of the selection processes, meetings or job fairs have been carried out electronically.

Remuneration policy

ENDESA's remuneration policy is aligned with Spanish and international regulatory recommendations in the area of corporate governance. The company's main objective is to draw, retain and motivate the best professionals, ensuring that internal equality and external competition are maintained, and establishing remuneration according to best market practices.

ENDESA's remuneration policy therefore seeks to ensure competitive and equal compensation among its employees. Remuneration is determined according to an external competition analysis based on market wage surveys, using a valuation methodology that assesses similar posts in companies with a similar number of employees and turnover.

ENDESA's remuneration policy is also merit-based. In 2020, as in previous years, the individual salary review process was carried out for all employees in all professional categories. The objective of these processes is to reward the efforts of personnel and their responsibility and commitment to the Company, adjusting remuneration on a case by case basis, while guaranteeing the minimums established in the "V ENDESA Framework Collective Labour Agreement". This policy also strengthens the manager's role in recognising employees' achievements.

In 2020, an exercise in transparency in communication to the personnel of the salary review process was carried out, with emphasis on the gender perspective.

Using digital tools, we made sure that decisions on salary review for employees took due account of the impact they have on the gender gap, seeking to minimise any unconscious biases that might influence them.

Key Performance Indicators (KPIs) relating to the wage gap.

In 2020 and 2019 the KPIs relating to the wage gap evolved as follows:

| Percentage (%) | | |
|--|------------|------------|
| Salary Gap - Average Fixed Remuneration ⁽¹⁾ | 2020 | 2019 |
| Executives | 11.2 | 11.1 |
| Middle Management | 8.9 | 9.0 |
| Administration and Management Staff | 10.8 | 10.8 |
| Operators | (0.6) | (2.8) |
| AVERAGE | 7.3 | 6.3 |

(1) Difference between the average fixed remuneration of men and that of women, as a percentage of that of men (%).

11.8. Social dialogue

In ENDESA, at 31 December 2020, the number of workers covered by the Collective Agreement, in different legal terms, was 8,562, or 89.27% of the workforce.

Pursuant to Spanish labour regulations and with ENDESA's labour regulations in 2020, the criteria to be followed in the event of business reorganisation and corporate restructuring have been established, whereby Union representatives will be informed at least 30 days before any such corporate restructuring and reorganisation is actually implemented.

The most important actions regarding collective bargaining in 2020 were as follows:

- Signing of the “V ENDESA Framework Collective Agreement”:
- Signing of the "Framework Guarantee Agreement" for ENDESA, S.A. and its electricity subsidiaries domiciled in Spain.
- Signing of the “Agreement on Voluntary Suspension or Termination of Employment Contracts” in the period 2019-2024.
- Agreement on the inclusion of ENDESA Ingeniería, S.L.U. in the functional scope of the “V ENDESA Framework Collective Agreement”.
- Agreement to transfer workers from ENDESA Energía, S.A.U. to ENDESA X Servicios, S.L.U.

Spain has been an International Labour Organisation (ILO) signatory since its foundation, and ENDESA's conventional regulations meet the existing Conventions ratified by Spain.

12. Treasury shares

On 28 September 2020 the Board of Directors of ENDESA, S.A. agreed to carry out a Temporary Share Buy-back Programme with the aim of covering the Strategic Incentive Plan 2020-2022, a long-term variable remuneration plan which includes the delivery of shares as part of the payment of the incentive (see Note 34.3.5 to the Consolidated Financial Statements for the year ended 31 December 2020). The stipulated duration of this programme was from 30 September 2020 until 13 October 2020, or until all the shares subject to said buy-back programme had been acquired, establishing a limit of Euros 30 per share, in such a way that the monetary amount assigned did not exceed Euros 2,483,970.

The Buy-Back Programme, managed and implemented by Exane, SA (“Exane BNP Paribas”), is subject to the provisions of Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014.

After the execution of this programme, at 31 December 2020 ENDESA, S.A. held treasury shares in accordance with the following details:

| | No. of Shares | Nominal Value (Euros per Share) | Percentage of Share Capital (%) | Average Acquisition Price (Euros per Share) | Total Acquisition Cost (Euros) |
|-----------------|---------------|------------------------------------|------------------------------------|--|-----------------------------------|
| Treasury shares | 82,799 | 1.20 | 0.00782 | 23.27 | 1,926,534 |

Since their acquisition there have been no disposals or redemptions.

13. Other information.

13.1. Stock market information

The performance of ENDESA's share price on the Madrid stock market and major indices in 2020 and 2019 was as follows:

| Percentage (%) | | | |
|--|------|------|-------------|
| Share price performance ⁽¹⁾ | 2020 | 2019 | |
| ENDESA, S.A. | | | 18.2 |
| Ibex-35 | | | 11.8 |
| Euro Stoxx 50 | | | 24.8 |
| Euro Stoxx Utilities | | | 22.2 |

(1) Source: Madrid Stock Exchange.

| Stock market information | | 31 December 2020 | 31 December 2019 | % Var. |
|--|-------------------|------------------|------------------|--------|
| Market capitalisation ⁽¹⁾ | Millions of euros | 23,663 | 25,188 | (6.05) |
| Number of shares | | 1,058,752,117 | 1,058,752,117 | - |
| Nominal Share Value | Euros | 1.2 | 1.2 | - |
| Cash ⁽²⁾ | Millions of euros | 9,696 | 9,280 | 4.48 |
| Madrid stock exchange | Shares | | | |
| Trading volume ⁽³⁾ | | 430,957,400 | 404,075,920 | 6.65 |
| Average daily trading volume ⁽⁴⁾ | | 1,676,877 | 1,584,611 | 5.82 |
| Price to Earnings Ratio (P.E.R.) Ordinary ⁽⁵⁾ | | 11.10 | 16.13 | - |
| Price to Earnings Ratio (P.E.R.) ⁽⁶⁾ | | 16.97 | 147.30 | - |
| Price / Carrying amount ⁽⁷⁾ | | 3.23 | 3.28 | - |
| Total shareholder return (TSR) ⁽⁸⁾ | % | 0.15 | 25.27 | - |

(1) Market Capitalisation = No. of shares at the end of the period * Share price at the end of the period.

(2) Cash = Sum of all transactions carried out divided by the value in the reference period (Source: Madrid Stock Exchange).

(3) Trading volume = Total volume of stock of ENDESA, S.A. traded in the period (Source: Madrid Stock Exchange).

(4) Average daily trading volume = Arithmetic mean of stock in ENDESA, S.A. traded per session during the period (Source: Madrid Stock Exchange).

(5) Price to Earnings Ratio (P.E.R.) Ordinary = Share price at the end of the period / Net earnings per share.

(6) Price to Earnings Ratio (P.E.R.) = Share price at the end of the period / Net earnings per share.

(7) Price / Carrying amount = Market capitalisation / Equity of the Parent.

(8) Total Shareholder Return (TSR) = (Share Price at the Close of the Financial Year - Share Price at the Beginning of the Financial Year + Gross Dividend Paid in the Financial Year) / Share Price at the Beginning of the Financial Year.

| Euros | | | | |
|-----------------------------------|--------|--------|--------|---------|
| ENDESA share price ⁽¹⁾ | 2020 | 2019 | % Var. | |
| High | 26.120 | 25.490 | | 2.47 |
| Low | 15.500 | 20.070 | | (22.77) |
| Average in the period | 22.677 | 22.948 | | (1.18) |
| End of the reporting period | 22.350 | 23.790 | | (6.05) |

(1) Source: Madrid Stock Exchange.

The Spanish IBEX-35 index occupied the last position among the main world stock indices in 2020 after a turbulent year of great volatility, marked by the COVID-19 pandemic and its unpredictable economic consequences.

The IBEX-35 finally closed the year with a cumulative fall of 15.45%, affected by the high exposure of the Spanish economy to the tourism sector, the most penalised by COVID-19, and by the poor performance of the financial-banking sector in an ongoing scenario of low interest rates.

Only the UK FTSE 100 index ended at a similar level, losing 14.34% as a result of the additional uncertainty generated by Brexit. In contrast, the rest of the European indices closed the year with more moderate losses and even, as in the case of the German DAX, with an accumulated gain of 3.55% and at record highs, encouraged in the final stretch of the year by the start of the COVID-19 vaccination process. The French CAC40 index lost 7.14% and the Italian FTSE MIB 5.42%. The selective pan-European Eurostoxx 50 also lost 5.14%.

Outside Europe, Asian and US indices led the stock market increases thanks to their more technological and industrial composition and the extraordinary expansionary monetary policies decreed by the central banks. In the US, the technology-heavy NASDAQ index led the field, with an advance of 47.58%, followed by the S&P 500 with 16.26% and the Dow Jones Industrial Average with 7.25%. In Japan, the Nikkei index also managed to close the year with a revaluation of 13.52%.

Below is a summary of the evolution, during the 2020 financial year, of the aforementioned stock indices:

| Stock Indices | Country / Region | Evolution | % Var. (%) |
|------------------------------|------------------|-----------|------------|
| IBEX-35 | Spain | Negative | (15.45) |
| FTSE 100 | United Kingdom | Negative | (14.34) |
| CAC40 | France | Negative | (7.14) |
| FTSE MIB | Italy | Negative | (5.42) |
| Eurostoxx | Europe | Negative | (5.14) |
| DAX | Germany | Positive | 3.55 |
| Dow Jones Industrial Average | U.S. | Positive | 7.25 |
| Nikkei | Japan | Positive | 13.52 |
| S&P 500 | U.S. | Positive | 16.26 |
| NASDAQ | U.S. | Positive | 47.58 |

In all cases, it should be noted that, despite the negative macroeconomic data, the stock markets recorded a notable recovery from the lows reached in March. In the case of the IBEX-35, after marking the annual maximum on 19 February 2020 at 10,083.6 points, it fell sharply at the beginning of the pandemic to the minimum of 6,107.20 points on 16 March 2020, at which time its cumulative fall was 36.04% from the beginning of the year. From that level, it managed to close 2020 at 8,073.7 points, with a final accumulated decrease of 15.45%.

Most of the IBEX-35 stocks ended 2020 in losses, but 9 of them managed to end up positive, with companies focused on renewable energy and companies in the pharmaceutical sector standing out. Among the worst performers were banks and insurance companies, companies related to the tourism sector and companies in the energy sector most affected by the falls in the price of oil and natural gas. ENDESA, S.A. shares performed second best in the IBEX 35 Energy sector, and tenth best in the IBEX-35 as a whole.

Within the European sector index Eurostoxx Utilities, which closed with an increase of 9.77%, ENDESA, S.A. shares were in fourteenth position. This good performance of the European index was supported by the decarbonisation objectives to 2050, the interest in sustainable investment and the recovery plan designed by the European Union.

In a very similar evolution to that of the IBEX-35 index, ENDESA's shares reached their annual maximum on 19 February 2020 at Euros 26.12 per share, a historical maximum level achieved in light of the good earnings expectations that were being discounted at that time in the market. Just one month later, on 16 March 2020, ENDESA's shares reached the annual minimum at Euros 15.5 euros, affected by the declaration of the State of alarm and the start of the nationwide lockdown. At that time, the cumulative a loss relative to the beginning of the year was 34.85%.

The lifting of the lockdown restrictions at the end of the second quarter, the optimism generated in the sector by the European Recovery Plan and the favourable expectations regarding the update of ENDESA's Strategic Plan in November, with a strong commitment to energy from renewable sources and digitisation, favoured the stock's recovery, and it finally closed the year at Euros 22.35 euros per share. This closing value represented an annual drop in the price of 6.05%.

The high volatility of the market in 2020 was also reflected in an increase in the accumulated trading volume in ENDESA shares, which amounted to 431 million shares and total cash of Euros 9,696 million, 6.65% and 4.48% higher than the previous year, respectively. The average volume of shares traded in each session was 1,676,877, 5.82% higher than the previous year.

Total shareholder return, calculated as the sum of the stock market return and dividend yield, was 0.15% in 2020. Added to the 6.05% negative stock market return are the Euros 1.475 per share distributed as a dividend from 2019 earnings, which gave an additional dividend yield of 6.20%.

At the end of the year, ENDESA's market capitalisation stood at Euros 23,663 million, placing it as the seventh largest capitalisation of the Ibx-35, one position above the previous year.

13.2. Dividend policy

The Board of Directors of ENDESA, S.A. operates an economic-financial strategy to generate a significant amount of cash to maintain Company debt levels and maximise shareholder remuneration. This also achieves the objective of ensuring the sustainability of the business project undertaken.

As a result of this economic-financial strategy, unless any exceptional circumstances arise, which will be duly announced, at a meeting on 25 November 2020 the Board of Directors of ENDESA, S.A. approved the following shareholder remuneration policy for 2020-2023:

- For financial year 2020: The ordinary dividend per share to be distributed in respect of these years will be equivalent to 100% of net ordinary income attributable to the Parent as per the Consolidated Financial Statements of the Group headed by the Company.
- For financial year 2021, the Board of Directors will ensure that the ordinary dividend per share that is agreed to be distributed for the year is equal to 80% of the net ordinary income attributable to the Parent Company as per the Group's consolidated financial statements.
- For the 2022 and 2023 financial years, the Board of Directors of ENDESA, S.A. will ensure that the ordinary dividend per share that is agreed to be distributed for the year is equal to 70% of the net ordinary income attributable to the Parent Company as per the Group's Consolidated Financial Statements.

The intention of the Board of Directors is that the ordinary dividend be paid solely in cash in two instalments (January and July) on a given date to be determined in each case, which will be duly notified.

Without prejudice to the foregoing, ENDESA's capacity to pay out dividends to its shareholders depends on numerous factors, including the generation of profit and the availability of unrestricted reserves, and therefore no assurance can be given that dividends will be paid out in future years or as to the amount of such dividends if paid.

With regard to the year 2020, in its meeting of 25 November 2020, the Board of Directors of ENDESA, S.A. resolved to distribute to its shareholders an interim dividend from 2020 profit for a gross amount of Euros 0.70 per share, for a total of Euros 741 million paid on 4 January 2021.

The proposed distribution of profit in 2020 to be presented for approval at the General Shareholders' Meeting by ENDESA's Board of Directors will be a total gross dividend of Euros 2.0136 per share (see Section 17. Proposed distribution of net income in the Consolidated Management Report). Taking into account the interim dividend referred to in the foregoing paragraph, the complementary dividend in respect of 2020 will be a gross amount of Euro 1.3136 per share.

Details of ENDESA, S.A.'s per-share dividends in 2020 and 2019 are as follows:

| | | 2020 | 2019 | % Var. |
|--|-------------------|-----------------------|----------------------|--------|
| Share capital | Millions of euros | 1,270.5 | 1,270.5 | - |
| Number of Shares | | 1,058,752,117 | 1,058,752,117 | - |
| Consolidated Net Ordinary Income | Millions of euros | 2,132 | 1,562 | 36.5 |
| Consolidated Net Income | Millions of euros | 1,394 | 171 | 715.2 |
| Individual Net Income | Millions of euros | 2,330 | 1,642 | 41.9 |
| Ordinary Earnings per Share ⁽¹⁾ | Euros | 2.0136 | 1.475 | 36.5 |
| Earnings per Share ⁽²⁾ | Euros | 1.317 | 0.162 | 715.2 |
| Gross Dividend per Share | Euros | 2.0136 ⁽³⁾ | 1.475 ⁽⁴⁾ | - |
| Consolidated Ordinary Pay-Out ⁽⁵⁾ | % | 100.0 | 100.0 | - |
| Consolidated pay-out ⁽⁶⁾ | % | 152.9 | 913.3 | - |
| Individual pay-out ⁽⁷⁾ | % | 91.5 | 95.1 | - |

(1) Net ordinary earnings per share (euros) = Net ordinary income of the Parent/ No. of Shares at the end of the year.

(2) Net earnings per Share (euros) = Net Income of the Parent/ No. of Shares at the end of the year.

(3) Gross interim dividend of Euros 0.7 per share paid on 4 January 2021, plus a complementary gross dividend of Euros 1.3136 per share pending approval by the ENDESA, S.A. General Shareholders' Meeting (see Section 17. Proposed distribution of net income in the Consolidated Management Report).

(4) Gross interim dividend of Euros 0.7 per share, paid out on 2 January 2020 plus the final dividend of Euros 0.775 per share (gross) paid out on 1 July 2020.

(5) Consolidated ordinary pay-out (%) = (Gross dividend per share * Shares at the end of the reporting period excl. treasury shares) / Net ordinary income of the Parent.

(6) Consolidated pay-out (%) = (Gross dividend per share * Number of shares at the end of year) / Net Income of the Parent.

(7) Individual pay-out (%) = (Gross dividend per share * Number of shares at the end of the year) / Net Income of ENDESA, S.A.

14. Information on average payment periods to suppliers

Information on the average payment period to suppliers in 2020 is provided in Note 22.1 to the Consolidated Financial Statements for the year ended 31 December 2020.

15. Annual Corporate Governance Report as required by Article 538 of Royal Legislative Decree 1/2010, of 2 July 2010, approving the Consolidated Text of the Spanish Corporate Enterprises Act

The 2020 Annual Corporate Governance Report, as required by Article 538 of Royal Decree Law 1/2010 of 2 July approving the Consolidated Text of the Corporate Enterprises Act, forms an integral part of this Consolidated Management Report, and its contents are available on the website of the Spanish National Securities Market Commission ("CNMV") at the following address: <https://www.cnmv.es/portal/consultas/EE/InformacionGobCorp.aspx?nif=A-28023430>.

16. Statement of Non-financial Information as required by Law 11/2018 of 28 December amending the Code of Commerce, the Consolidated Text of the Corporate Enterprises Act approved by Royal Decree Law 1/2010 of 2 July, and Law 22/2015 of 20 July on the auditing of financial statements, non-financial and diversity information.

The Statement of Non-financial Information and Sustainability for 2020 as required by Law 11/2018 of 28 December amending the Code of Commerce, the Consolidated Text of the Corporate Enterprises Act approved by Royal Decree Law 1/2010 of 2 July and Law 22/2015 of 20 July on the auditing of financial statements, non-financial and diversity information, are included as Appendix II to this Consolidated Management Report and form an integral part thereof.

17. Proposed appropriation of net income

Profit for 2020 of ENDESA, S.A., the Parent, amounted to Euros 2,329,719,088.02.

The Company's Board of Directors will propose to the shareholders at the General Shareholders' Meeting that this amount be used to make a dividend payment of Euros 2.0136 gross per share with the rest taken to retained earnings.

Euros

| | Proposed appropriation of net income |
|-----------------------------|--------------------------------------|
| To Dividends ⁽¹⁾ | 2,131,903,262.79 |
| To retained earnings | 197,815,825.23 |
| TOTAL | 2,329,719,088.02 |

(1) Maximum amount to be distributed corresponding to Euros 2.0136 gross per share for all shares (1,058,752,117 shares).

23 February 2021

APPENDIX I

Alternative Performance Measures (APMs)

| Alternative performance measures (APMs) | Unit | Definition | Reconciliation of Alternative Performance Measures (APMs) | | Relevance of Use |
|---|------|--|---|---|---|
| | | | 2020 | 2019 | |
| EBITDA ⁽¹⁾ | M€ | Income - Procurements and services + Work carried out by the Group for its assets - Personnel expenses - Other fixed operating expenses | 3,783 M€ = 17,579 M€ - 11,573 M€ + 275 M€ - 1,147 M€ - 1,351 M€ | 3,841 M€ = 20,158 M€ - 14,252 M€ + 295 M€ - 1,022 M€ - 1,338 M€ | Measure of operating return excluding interest, taxes, provisions and depreciation and amortisation. |
| EBIT ⁽¹⁾ | M€ | EBITDA - Depreciation and amortisation and impairment losses. | 1,886 M€ = 3,783 M€ - 1,897 M€ | 388 M€ = 3,841 M€ - 3,453 M€ | Measure of operating return excluding interest and taxes. |
| Net ordinary income | M€ | Net Ordinary Result = Net Result of the Parent Company - Net Result on Sales of Non-Financial Assets (greater than 10 million euros) - Net Impairment Losses of Non-Financial Assets (greater than 10 million euros) - Initial Net Expenses of Personnel by Staff Restructuring Plans related to the Decarbonisation Plan and the Digitalization of Processes - Net Expenses corresponding to the Public Responsibility Plan for the COVID-19 Health Crisis. | 2,132 M€ = 1,394 M€ - 0 M€ + 266 M€ + 450 M€ + 22 M€ | 1,562 M€ = 171 M€ - 18 M€ + 1,409 M€ + 0 M€ + 0 M€ | Measurement of profit for the period isolating non-recurring effects of more than Euros 10 million. |
| Contribution Margin ⁽¹⁾ | M€ | Income - Procurements and services | 6,006 M€ = 17,579 M€ - 11,573 M€ | 5,906 M€ = 20,158 M€ - 14,252 M€ | Measurement of operating profitability taking account of direct variable production costs |
| Procurements and Services ⁽¹⁾ | M€ | Power purchases + Fuel consumption + Transport costs + Other variable procurements and services | 11,573 M€ = 3,631 M€ + 1,100 M€ + 5,000 M€ + 1,842 M€ | 14,252 M€ = 4,904 M€ + 1,780 M€ + 5,302 M€ + 2,266 M€ | Goods and services for production |
| Net Financial Income/(Expense) ⁽¹⁾ | M€ | Financial income - Financial expense + Net exchange differences | (134) M€ = 28 M€ - 174 M€ + 12 M€ | (184) M€ = 27 M€ - 212 M€ + 1 M€ | Measure of financial cost |
| Net Financial Expense ⁽¹⁾ | M€ | Financial income - Financial expense | (146) M€ = 28 M€ - 174 M€ | (185) M€ = 27 M€ - 212 M€ | Measure of financial cost |
| Net investments | M€ | Gross investments - Capital grants and facilities disposed of | 1,711 M€ = 1,846 M€ - 135 M€ | 2,069 M€ = 2,202 M€ - 133 M€ | Measure of investment activity |
| Return on equity | % | Net Ordinary Income of the Parent / ((Equity of the Parent (n) + Equity of the Parent (n-1)) / 2) | 28.42% = 2,132 M€ / (7,315 + 7,688 / 2) M€ | 18.68% = 1,562 M€ / (7,688 + 9,037 / 2) M€ | Measure of the capacity to generate profits on shareholder investments |
| Return on assets | % | Net Ordinary Income of the Parent / ((Total assets (n) + Total assets (n-1)) / 2) | 6.66% = 2,132 M€ / (32,062 + 31,981 / 2) M€ | 4.91% = 1,562 M€ / (31,981 + 31,656 / 2) M€ | Measure of business profitability |
| Economic profitability | % | EBIT / (PP&E (n) + PP&E (n-1) / 2) | 8.84% = 1,886 M€ / (21,354 + 21,329 / 2) M€ | 1.80% = 388 M€ / (21,329 + 21,840 / 2) M€ | Measure of the capacity of the assets and capital invested to generate income |
| Return on capital employed (ROCE) | % | Operating profit after tax / ((Non-current assets (n) + Non-current assets (n-1) / 2) + (Current assets (n) + Current assets (n-1) / 2)) | 4.61% = 1,476.7 M€ / (25,828 + 25,881 / 2) + (6,234 + 6,100 / 2) M€ | 0.95% = 303.7 M€ / (25,881 + 26,001 / 2) + (6,100 + 5,655 / 2) M€ | Measure of return on capital employee |
| Return on Capital Invested (RCI) | % | Operating Income After Taxes / (Net Equity of the Parent Company + Net Financial Debt) | 10.39% = 1,476.7 M€ / (7,315 + 6,899) M€ | 2.16% = 303.7 M€ / (7,688 + 6,377) M€ | Measure of return on capital invested |
| Funds from Operations | M€ | Cash Flows from Operating Activities + Changes in Working Capital - Work carried out by the Group for its Assets | 3,089 M€ = 2,951 M€ + 413 M€ - 275 M€ | 3,116 M€ = 3,181 M€ + 230 M€ - 295 M€ | Measure of cash generated by the company's business available to make investments, amortise debt and distribute dividends to shareholders. |
| Interest expenses | M€ | Interest paid | 152 M€ | 136 M€ | Measure of interest payments |
| Ordinary Earnings per Share | € | Net Ordinary Income of the Parent company / Number of shares at the end of the year | 2.0136 € = 2,132 M€ / 1,058,752,117 shares | 1.475 € = 1,562 M€ / 1,058,752,117 shares | Measure of the portion of net income corresponding to each share at the end of the year. |
| Earnings per Share ⁽¹⁾ | € | Net Ordinary Income of the Parent company / Number of shares at the end of the year | 1.317 € = 1,394 M€ / 1,058,752,117 shares | 0.162 € = 171 M€ / 1,058,752,117 shares | Measurement of the portion of net income corresponding to each share at the end of the year.. |
| Cash flow per share ⁽²⁾ | € | Net cash flow from operating activities / Number of shares at the end of the reporting year | 2.787 € = 2,951 M€ / 1,058,752,117 shares | 3.004 € = 3,181 M€ / 1,058,752,117 shares | Measurement of the portion of funds generated corresponding to each share at the end of the year.. |
| Total shareholder return (TSR) | % | (Quotation at the end of the year - Quotation at the beginning of the year + Gross Dividend paid in the year) / Quotation at the beginning of the year | 0.15% = (22.350 € - 23.790 € + 1.475 €) / 22.350 € | 25.27% = (23.790 € - 20.130 € + 1.427 €) / 20.130 € | Measurement of the relationship between the amount invested in a share and the economic result provided, which includes both the effect of the increase in the share price and that of the gross dividend received in cash (without considering its reinvestment) |
| Consolidated ordinary pay-out | % | (Gross dividend per share * No. of shares at the end of the year) / Net Ordinary income for the year of the Parent. | 100.0% = (2.0136 € * 1,058,752,117 shares) / 2,132 M€ | 100.0% = (1.475 € * 1,058,752,117 shares) / 1,562 M€ | Measure of the portion of net ordinary income obtained used to remunerate shareholders through the payment of dividends (Consolidated Group). |
| Consolidated pay-out | % | (Gross dividend per share * No. of shares at the end of the year) / Net income for the year of the Parent | 152.9% = (2.0136 € * 1,058,752,117 shares) / 1,394 M€ | 913.3% = (1.475 € * 1,058,752,117 shares) / 171 M€ | Measure of the part of profits obtained used to remunerate shareholders through the payment of dividends (consolidated Group) |
| Individual pay-out | % | (Gross Dividend per Share * Number of Shares at the end of the Year) / Net Income for the year of ENDESA, S.A. | 91.5% = (2.0136 € * (1,058,752,117 shares)) / 2,330 M€ | 95.1% = (1.475 € * 1,058,752,117 shares) / 1,642 M€ | Measure of the part of profits obtained used to remunerate shareholders through the payment of dividends (individual company) |

M€ = millions of euros, € = euros.

n = 31 December of the year being calculated.

n-1 = 31 December of the year before the year being calculated.

(1) See Consolidated Income Statements for the years ended 31 December 2020 and 2019.

(2) See Consolidated Statements of Cash Flows for the years ended 31 December 2020 and 2019.

| Alternative Performance Measures (APMs) | Unit | Definition | Reconciliation of Alternative Performance Measures (APMs) | | Relevance of Use |
|---|---------------|---|---|---|---|
| | | | 31 December 2020 | 31 December 2019 | |
| Net Financial Debt ⁽¹⁾ | M€ | Non-current borrowings + Current borrowings – Cash and cash equivalents – Financial derivatives recognised under financial assets | 6,899 M€ = 5,937 M€ + 1,372 M€ - 403 M€ - 7 M€ | 6,377 M€ = 5,652 M€ + 955 M€ - 223 M€ - 7 M€ | Short- and long-term financial debt, less cash and financial investment equivalent to cash |
| Leverage ⁽¹⁾ | % | Net financial debt / Equity | 92.42% = 6,899 M€ / 7,465 M€ | 81.37% = 6,377 M€ / 7,837 M€ | Measurement of the weight of external funds in the financing of business activities. |
| Debt Ratio ⁽¹⁾ | % | Net financial debt / (Equity + Net financial debt) | 48.03% = 6,899 M€ / (7,465 M€ + 6,899 M€) | 44.86% = 6,377 M€ / (7,837 M€ + 6,377 M€) | Measurement of the weight of external funds in the financing of business activities. |
| Average Life of Gross Financial Debt | No. of Years | (Principal * Number of days validity) / (Principal outstanding at the end of the period * Number of days in the period) | 4.6 years = 33,484 / 7,268 | 5.2 years = 34,031 / 6,581 | Measurement of the duration of financial debt to maturity |
| Average Cost of Gross Financial Debt | % | (Cost of gross financial debt) / Gross average financial debt | 1.7% = 139 M€ / 8,104 M€ | 1.8% = 135 M€ / 7,431 M€ | Measurement of the effective rate of financial debt. |
| Debt maturity coverage | No. of Months | Maturity period (months) of core debt that could be covered with the liquidity available | 17 months | 26 months | Measure of the capacity to meet debt maturities |
| Liquidity Ratio ⁽¹⁾ | N/A | Current assets / Current liabilities. | 0.73 = 6,234 M€ / 8,555 M€ | 0.72 = 6,100 M€ / 8,465 M€ | Measurement of the capacity to meet short-term commitments. |
| Solvency Ratio ⁽¹⁾ | N/A | (Equity + Non-current liabilities) / Non-current assets | 0.91 = (7,465 M€ + 16,042 M€) / 25,828 M€ | 0.91 = (7,837 M€ + 15,679 M€) / 25,881 M€ | Measurement of the capacity to meet obligations. |
| Debt Coverage Ratio ^{(1) (2)} | N/A | Net financial debt / EBITDA | 1.82 = 6,899 M€ / 3,783 M€ | 1.66 = 6,377 M€ / 3,841 M€ | Measurement of the amount of available cash flow to meet payments of principal on financial debt. |
| Fixed assets | M€ | Property, Plant and Equipment + Real Estate Investments + Intangible Assets + Goodwill | 23,273 M€ = 21,354 M€ + 58 M€ + 1,399 M€ + 462 M€ | 23,227 M€ = 21,329 M€ + 61 M€ + 1,375 M€ + 462 M€ | Assets of the Company, whether tangible or intangible, not convertible into short-term liquidity, necessary for the Company to operate and not intended for sale. |
| Book Value per Share ⁽²⁾ | € | Equity of the Parent / Number of shares at the end of the reporting year | 6.909 € = 7,315 M€ / 1,058,752,117 shares | 7.261 € = 7,688 M€ / 1,058,752,117 shares | Measure of the portion of equity corresponding to each share at the end of the year. |
| Market Capitalisation | M€ | Number of shares at the end of the period * Share price at the end of the year | 23,663 M€ = 1,058,752,117 shares * 22.350 € | 25,188 M€ = 1,058,752,117 shares * 23.790 € | Measurement of total enterprise value according to the share price. |
| Price to Earnings Ratio (P.E.R.) Ordinary | N/A | Share price at the end of the year / Net ordinary earnings per share | 11.10 = 22.350 € / 2.0136 € | 16.13 = 23.790 € / 1.475 € | Measure indicating the number of times earnings per share can be divided into the market price of the shares. |
| Price to Earnings Ratio (P.E.R.) | N/A | Share price at the end of the year / Net earnings per share | 16.97 = 22.350 € / 1.317 € | 147.30 = 23.790 € / 0.162 € | Measure indicating the number of times earnings per share can be divided into the market price of the shares. |
| Price / Book Value | N/A | Market Capitalisation / Equity of the Parent | 3.23 = 23,663 M€ / 7,315 M€ | 3.28 = 25,188 M€ / 7,688 M€ | Measurement comparing total enterprise value according to the share price with the carrying amount. |

M€ = Millions of Euros; € = Euros.

(1) See Consolidated Statements of Financial Position at 31 December 2020 and 2019.

(2) See Consolidated Income Statements for the years ended 31 December 2020 and 2019.

APPENDIX II

Statement of Non-Financial Information and Sustainability for 2020

Statement of Non-Financial Information and Sustainability 2020

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PRESENTATION LETTER

102-14

We are pleased to present this new Statement of Non-Financial Information and Sustainability for 2020 to our stakeholders to show how we integrate our strong commitment to sustainability into our actions.

We continue to strive to create a global and sustainable energy model and we follow the international reference frameworks promoted by the United Nations. In doing so, we remain fully committed to the ten Principles and the seventeen Sustainable Development Goals (SDGs) of the UN Global Compact and to the UN Guiding Principles on Business and Human Rights. ENDESA's undeniable commitment to the UN SDGs included in the 2030 Agenda is confirmed by the allocation of 94% of the investments planned in the operational objectives 2021-2023 of the Strategic Plan to climate action, SDG 13 (Climate Action), which in turn encompasses SDG 7 (Affordable and Clean Energy), SDG 9 (Industry, Innovation and Infrastructure) and SDG 11 (Sustainable Cities and Communities). Although its main contribution is to these climate-related SDGs, ENDESA also works towards achieving SDG 4 (Quality Education) and SDG 8 (Decent Work and Economic Growth).

Furthermore, in the Strategic Plan 2021-2023 we update our ambition to lead the decarbonisation and energy transition process that form part of the climate objectives of the EU as a whole and Spain and Portugal in particular. Installed renewable capacity is set to grow by 50% in the period 2021-2023. As a result, 89% of peninsular production will be free of CO₂ emissions by the end of 2023.

The Plan places decarbonisation at the centre of its strategy, with 40% of the planned investment for 2021-2030 dedicated to renewable energy. In this way, we have been able to set a specific emissions target of 95 gCO₂ eq/kWh by 2030, in line with the objectives that international standards set as necessary to comply with the 2015 Paris Agreement and prevent the increase in average temperatures of the planet from exceeding 1.5°C relative to pre-industrial levels.

So we want to prepare ourselves to accept the challenges and seize the opportunities that a zero-emissions future will present by 2050. The investment indicated above to ensure that 80% of production is emission-free by 2030 represents an acceleration in our strategy to achieve that future with zero emissions. Furthermore, we are promoting this transformation with the closures of our coal-fired power plants, which include the implementation of just and fair transition plans. We are well aware that full commitment to the energy transition process can have negative socioeconomic consequences for the areas where the power plants are established, so in order not to leave anyone behind, and through active collaboration with the various administrations involved, we aim to mitigate these effects on the local population by means of initiatives that promote economic dynamism in the affected areas.

Another effort, linked to the decarbonisation of the economy as a whole, is the drive to digitise the network, which will involve an investment of 2.6 billion euros in the period 2021-2023. This investment will make it possible to boost electrification and thereby shift the consumption of fossil fuels in other sectors towards electricity based on renewable sources. For this reason, we also allocate resources for the electrification of residential demand, as well as of sectors such as industry and transport.

In addition, two other concepts linked to two other SDGs have been taking on greater significance in our strategic vision, as reflected in our Strategic Plan 2021-2023. The first is the circular economy (SDG 12 Responsible Production and Consumption), which is shaping up to become an essential element for achieving a sustainable economic model, for which reason integrating circular thinking into the culture of all areas of the organisation is one of our priorities. The second concept has to do with the fundamental importance that the search for partnerships has taken on (SDG 17 Partnerships to achieve the Goals). At ENDESA we have a long tradition of seeking

alliances to increase and improve the effects of our business on society. Indeed, the idea of “Open Power”, which constitutes our mission, vision and values, is based on opening up the company to society. And one of the fundamental axes in that opening is the search for alliances. This concept has acquired a special relevance at this time. On the one hand, to provide an appropriate response to the great challenge of the just transition towards decarbonisation mentioned above, since only with the collaboration of all the social agents involved can a satisfactory solution be reached. And on the other hand, given the exceptional circumstances that have arisen this year as a result of the COVID-19 health crisis, the collaboration of the private sector and the various administrations and civil society organisations has been essential to alleviate the negative effects of this crisis.

The COVID-19 health crisis has had a human and economic impact unprecedented in our recent history. In the economic response required by the recovery from the pandemic, we are determined to promote a new, more responsible and inclusive economic model, focusing investments on those sectors and activities that ensure a more sustainable future. This is a vision shared with the highest EU institutions, as demonstrated by the launch of the “Next Generation EU” initiative, increasing funds for the period 2021-2024 by Euros 750 billion through Recovery Funds. At ENDESA we want to play a significant role in this sustainable recovery of economic activity by accelerating our investment plan to combat the economic recession after the pandemic.

But, in addition to this long-term vision, in 2020 we also helped to meet some of the most urgent needs that are brought about by a crisis of this magnitude. Our ENDESA Public Responsibility Plan contributed to alleviating the social and economic consequences of the pandemic with a fund of Euros 25 million. From the activation of its first phase last March, for the direct purchase of sanitary material together with donations to public and private institutions focusing on the fight against the pandemic, to a second phase, activated in June, to promote basic needs projects, education and job training to support families in vulnerable situations in the most affected territories, as well as programmes to help economic reactivation aimed at SMEs badly affected by the pandemic. In total, the Plan numbers 152 projects carried out or in process, more than 160 conventions or donations made, more than 800 collaborating institutions and, most important of all, 1.7 million beneficiaries.

This external management to alleviate the effects of the COVID-19 crisis has been complemented by our internal management, which has at all times given priority to protecting the health of the people who work for the company. To this end we have put into practice a broad range of measures, such as: promoting working from home in all the territories where we operate, protective measures for those continuing to work in their usual positions because they are considered critical or essential personnel for the development of our business, travel restrictions, testing, taking temperatures, dividing up buildings and work centres, cordoning off and defining new uses for communal spaces, making starting and finishing times more flexible and providing protection kits with the mandatory use of masks. And we have also informed our contractors and suppliers of these measures and impressed upon them how important they are.

To all the employees of the great family that is ENDESA, we are proud of our ability to continue improving in terms of sustainability. Detailed results demonstrating our continuous improvement and fulfilment of our ambitious targets can be viewed in detail on the following pages. However, we cannot omit to mention the dark shadow cast over the good news of this special year by the terrible misfortune involving the death of a worker from a contractor company as a result of an accident in repairing an ENDESA substation in the Parque Alcosa neighbourhood of Seville. We wish to take advantage of these lines to reiterate, on behalf of all the people who work at ENDESA, our most sincere condolences to his family and our absolute commitment to the safety and health of all the workers who work for the company, a commitment that we extend not only to our employees, but also to those who perform work for our company from other contractor companies.

In this regard, we are acutely aware that we must continue to maintain the highest demands in our daily activities. In our commitment to maintaining good Corporate Governance that contributes

to transparency and business ethics, we have placed ourselves at the forefront in the application of good practices, some of which have a direct impact on the Sustainability Plan and Policy:

- In July the Board of Directors established a new board committee, the Sustainability and Corporate Governance Committee, with the commitment of integrating sustainability into the management of all the activities of the ENDESA group, at the highest level, promoting the energy transition through the commitment to renewable energy, digitisation and innovation.
- In December the Board of Directors approved a new updated Sustainability Policy to meet the new market needs and ensure compliance with good corporate governance practices established in the 2020 Good Governance Code update of the National Securities Market Commission (CNMV).
- In December, ENDESA's Director Candidate Selection Policy was modified, replacing the gender diversity goal of 30% women on the Board of Directors with the new goal of 40% women on the Board before the end of financial year 2022. With this objective, among other measures, ENDESA seeks to promote diversity in all facets and at all levels of its professional team as an essential factor for competitiveness.

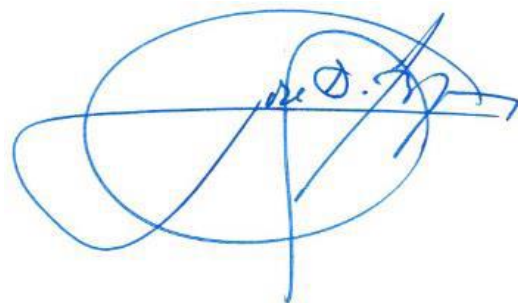
This demanding approach has allowed us to make some remarkable achievements this year, which demonstrate the consolidation of sustainability at the centre of our business strategy, some of which are mentioned below:

- ENDESA obtained an all-time record high score in two sustainability indices, the DJSI World Index and the Vigeo Eiris Index, reaching the fifth position in its sector and the second overall position respectively.
- During 2020, the incorporation of three new female directors has strengthened the presence of women on the Board of Directors, raising it to 30.77%. Likewise, the percentage presence of women on all Board Committees increased during the year to 40%.
- ENDESA has positioned itself as the first Spanish company in the energy sector to join the global disability inclusion initiative The Valuable 500, placing diversity as a key factor in sustainability.

Each and every one of us will face the challenges that come our way with the same strength as in other years, always with our excellent performance and our determination to lead the energy sector.



Juan Sánchez-Calero Guilarte
Chairman



José Damián Bogas Gálvez
CEO

COMMITMENT TO SUSTAINABILITY

1. WHO WE ARE

1.1. ENDESA in figures

102-7/EU1/EU2/EU3

| | 2018 | 2019 | 2020 |
|--|---------------|----------------|----------------|
| Gross Operating Profit (EBITDA) (millions of euros) ⁽¹⁾ | 3,627 | 3,841 | 3,783 |
| Profit for the year (millions of euros) ² | 1,417 | 171 | 1,394 |
| Ordinary Profit for the year (millions of euros) ³ | 1,511 | 1,562 | 2,132 |
| Share Capital (millions of euros) | 1,271 | 1,271 | 1,271 |
| Non-Current Financial Debt (millions of euros) | 4,975 | 5,652 | 5,937 |
| FINAL HEADCOUNT (Employees) | 9,763 | 9,952 | 9,591 |
| NET INSTALLED CAPACITY (MW) | 22,718 | 23,365 | 21,652 |
| Conventional thermal | 7,428 | 7,159 | 5,098 |
| Nuclear | 3,318 | 3,318 | 3,328 |
| Combined cycles | 5,445 | 5,480 | 5,445 |
| Renewables | 6,527 | 7,408 | 7,781 |
| Hydroelectric | 4,763 | 4,748 | 4,749 |
| Wind | 1,751 | 2,308 | 2,423 |
| Photovoltaic | 13 | 352 | 609 |
| ELECTRICITY PRODUCTION (GWh)⁴ | 74,193 | 61,402 | 56,269 |
| Conventional thermal | 28,997 | 13,346 | 5,650 |
| Nuclear | 24,067 | 26,279 | 25,839 |
| Combined cycles | 8,957 | 11,687 | 11,365 |
| Renewables | 12,172 | 10,090 | 13,415 |
| Hydroelectric | 8,459 | 5,861 | 7,681 |
| Wind | 3,688 | 4,127 | 5,235 |
| Photovoltaic | 24 | 101 | 498 |
| Other | 1 | 1 | 1 |
| SALES OF ELECTRICITY TO END CUSTOMERS (GWh) | 89,639 | 89,441 | 80,772 |
| Regulated Price | 12,356 | 11,385 | 11,342 |
| Deregulated market ⁵ | 77,283 | 78,056 | 69,430 |
| NUMBER OF ELECTRICITY CUSTOMERS⁸ (thousands) | 10,754 | 10,635 | 10,420 |
| Regulated market ⁶ | 5,029 | 4,807 | 4,730 |
| Deregulated market ⁵ | 5,725 | 5,828 | 5,690 |
| GAS SALES (GWh)⁷ | 86,729 | 79,784 | 70,045 |
| Deregulated market | 47,810 | 45,584 | 39,665 |
| Regulated market | 1,430 | 1,295 | 1,225 |
| International market | 25,270 | 19,968 | 17,440 |
| Wholesale business | 12,219 | 12,937 | 11,715 |
| NUMBER OF GAS CUSTOMERS⁸ (thousands) | 1,604 | 1,649 | 1,673 |
| Regulated market | 233 | 230 | 233 |
| Deregulated market | 1,371 | 1,419 | 1,440 |
| POWER DISTRIBUTED⁴ (GWh) | - | 126,454 | 124,658 |
| TAX INFORMATION | | | |
| Public subsidies received (€ millions) ⁹ | 0.9 | 1.7 | 0.5 |
| Contributions to foundations and non-profit organisations (€ millions) ¹⁰ | 5.3 | 8.4 | 27.2 |

¹ EBITDA = Revenues - Procurements and Services + Self-constructed assets - Personnel expenses - Other fixed operating expenses.

² Net Income = Net Income of the Parent Company

³ Ordinary Net Income = Net Income of the Parent Company - Net Gains and Losses on Disposals of Non-Financial Assets (over Euros 10 million)

- Net Losses due to Impairment of Non-Financial Assets (over Euros 10 million)

⁴ Data measured in power plant busbars.

⁵ In the interests of consistency with the economic data referring to this business that are provided in this report, this includes sales made by ENDESA Energía to customers in European countries outside the Iberian market.

⁶ Rate customers. Toll customers not included.

⁷ Excluding own generation consumption.

⁸ Supply points.

⁹ The data on public grants received correspond to the total amount of public grants received in 2020, all in Spain (their amount in 2019 being Euros 1.7 million and both amounts in Spain).

Until now the figure reported in this section was the balance of capital grants, the amount of which at 31 December 2020 was Euros 261 million (Euros 273 million at 31 December 2019).

¹⁰ The 2020 figure has been increased by the contributions to the COVID-19 public responsibility plan made until 31 December 2020.

1.2. ENDESA's business

1.2.1. Main areas of business

102-1/102-2

ENDESA, S.A. and its subsidiaries (ENDESA or the Company) carry out their activities in the electricity and gas business mainly in the market of Spain and Portugal. To a lesser extent, they also sell electricity and gas in other European markets as well as other products and services related to their main business.

The organisation is divided into the generation, supply and distribution businesses, each of which includes electricity and in some cases gas activities and other products and services.

1.2.2. Main markets

102-4/102-6

In order to effectively face all the risks and seize all the opportunities of a constantly changing Energy Sector, ENDESA's business model is structured in distinct Business Lines so as to act with agility in the markets where it operates and take account of its customers' needs in the territories and businesses in which it is present.

ENDESA carries on the activities of electricity and gas generation, distribution and supply, mainly in Spain and Portugal, and, to a lesser extent, from its platform in Spain it supplies electricity and gas to other European markets, in particular Germany, France and the Netherlands.

With the exception of the mainland coal-fired thermal power plants, ENDESA manages its generation and supply businesses jointly, thus optimising this integrated position compared with managing the two activities separately (see Section 2.3.2. Operating Expenses in the Consolidated Management Report for 2020).

The markets in which ENDESA carries out its activities are described as follows:

1.2.2.1. Spanish market

Electricity generation ENDESA carries out its electricity generation activities in the mainland system and in the non-mainland territories, which comprise the Balearic and Canary Islands and the autonomous cities of Ceuta and Melilla.

- Conventional mainland electricity generation is a deregulated activity, although specific remuneration is available for generation from renewable sources.
- Generation in the non-mainland territories is subject to specific regulations addressing the particularities deriving from their geographical location, and remuneration is regulated. There are incentives for investment in generation from renewable sources in the non-mainland territories to reduce costs.

Supply of electricity, gas and other products and services: This activity consists of supplying energy on the market and the sale of other products and services to customers. The supply of energy is a deregulated activity.

Electricity distribution: The purpose of the electricity distribution activity is to distribute electricity to the consumption points. Electricity distribution is a regulated activity.

1.2.2.2. Portuguese market

102-4

Electricity generation Electricity generation in Portugal is carried out in a competitive environment.

Supply of electricity and gas and other products and services: This activity is deregulated in Portugal.

In the current context, the activities to which ENDESA companies are engaged have been classified as essential activities and are carried out under regulated frameworks.

Up to the date of approval of the Consolidated Management Report, ENDESA has continued to provide its services without any particular problems other than those existing prior to the emergence of COVID-19 and, although it has had to adapt some processes to the circumstances deriving from the health crisis, its ability to provide services has not been significantly compromised.

1.2.3. Organisational structure

102-2/102-5/102-45

ENDESA, S.A.'s activity is structured by Business Lines, giving the Company flexibility and the ability to respond to the needs of its customers in the territories and businesses in which it operates.

For the organisation of the various Business Lines, ENDESA, S.A. works primarily through the following Companies:

1.2.3.1. Energy generation: ENDESA Generación, S.A.U.

ENDESA Generación, S.A.U. brings together, among others, the holdings in Gas y Electricidad Generación, S.A.U. (100%), Unión Eléctrica de Canarias Generación, S.A.U. (100%), which manage the generation assets located in the non-mainland territories and ENEL Green Power España, S.L.U. (EGPE) (100%), which manages assets generated from renewable sources.

At 31 December 2020, ENDESA's total net installed capacity in Spain amounted to 21,652 MW, of which 17,326 MW in the mainland electricity system and 4,326 MW in the non-mainland territories of the Balearic and Canary Islands, Ceuta and Melilla. At that date, net installed capacity in renewables was 7,781 MW, of which 7,719 MW in the mainland electricity system, representing 45% of its net installed capacity (see Section 2.6. Statistical Appendix to the Consolidated Management Report).

ENDESA's power plants reached a total net production of 56,269 GWh in 2020, of which 39,254 GWh free of emissions (sum of net nuclear and renewable production including hydroelectric).

102-2/102-5/102-45

| Net installed capacity 2020 | | |
|-----------------------------|---------------|-------------|
| | MW | % |
| Petroleum | 2,334 | 10.78% |
| Coal | 2,764 | 12.77% |
| Natural gas | 5,445 | 25.14% |
| Renewables | 7,781 | 35.94% |
| Nuclear | 3,328 | 15.37% |
| Total | 21,652 | 100% |

| Net electricity production 2020 | | |
|---------------------------------|---------------|-------------|
| | GWh | % |
| Petroleum | 4,217 | 7.49% |
| Coal | 1,433 | 2.55% |
| Natural gas | 11,365 | 20.20% |
| Renewables | 13,415 | 23.84% |
| Nuclear | 25,839 | 45.92% |
| Total | 56,269 | 100% |

1.2.3.2. Energy Distribution: ENDESA Red, S.A.U.

This company holds, among other, Edistribución Redes Digitales, S.L.U. (100%), which engages in regulated electricity distribution, and ENDESA Ingeniería, S.L.U. (100%).

At 31 December 2020, ENDESA distributed electricity in 24 Spanish provinces (A Coruña, Almería, Badajoz, Barcelona, Cádiz, Córdoba, Girona, Granada, Huelva, Huesca, Balearic Islands, Jaén, Las Palmas, León, Lleida, Málaga, Ourense, Santa Cruz de Tenerife, Seville, Soria, Tarragona, Teruel, Zamora and Zaragoza) of eight Autonomous Regions (Andalusia, Aragón, Balearic Islands, Canary Islands, Castilla y León, Catalonia, Extremadura and Galicia) and in the Autonomous City of Ceuta, with a total area of 195,488 km² and a population close to 21 million.

The number of customers with an access contract to ENDESA's distribution networks exceeded 12 million at that date and the total energy distributed by ENDESA's networks, measured in plant bars, reached 124,658 GWh in 2020 (see Section 2.6. Statistical Appendix to the Consolidated Management Report).

1.2.3.3. Supply of energy and other products and services: ENDESA Energía, S.A.U. and ENDESA X Servicios S.L.

ENDESA Energía, S.A.U. was established on 3 February 1998 to carry out supply activities, responding to the demands deriving from the deregulation process of the Spanish electricity sector. Its main business is the supply of energy to customers wishing to exercise their right to choose their supplier and receive the service on the deregulated market.

In addition, ENDESA Energía, S.A.U. holds 100% of Energía XXI Comercializadora de Referencia, S.L.U., a trading company in the regulated market, ENDESA Operaciones y Servicios Comerciales, S.L.U., whose purpose is to provide commercial services linked to the supply of energy and ENDESA Energía Renovable, S.A.U., which is dedicated to the supply of electricity and natural gas specifically from renewable sources. ENDESA Energía, S.A.U. also supplies energy to the deregulated markets of Germany, France, the Netherlands and Portugal.

102-2/102-5/102-10/102-45

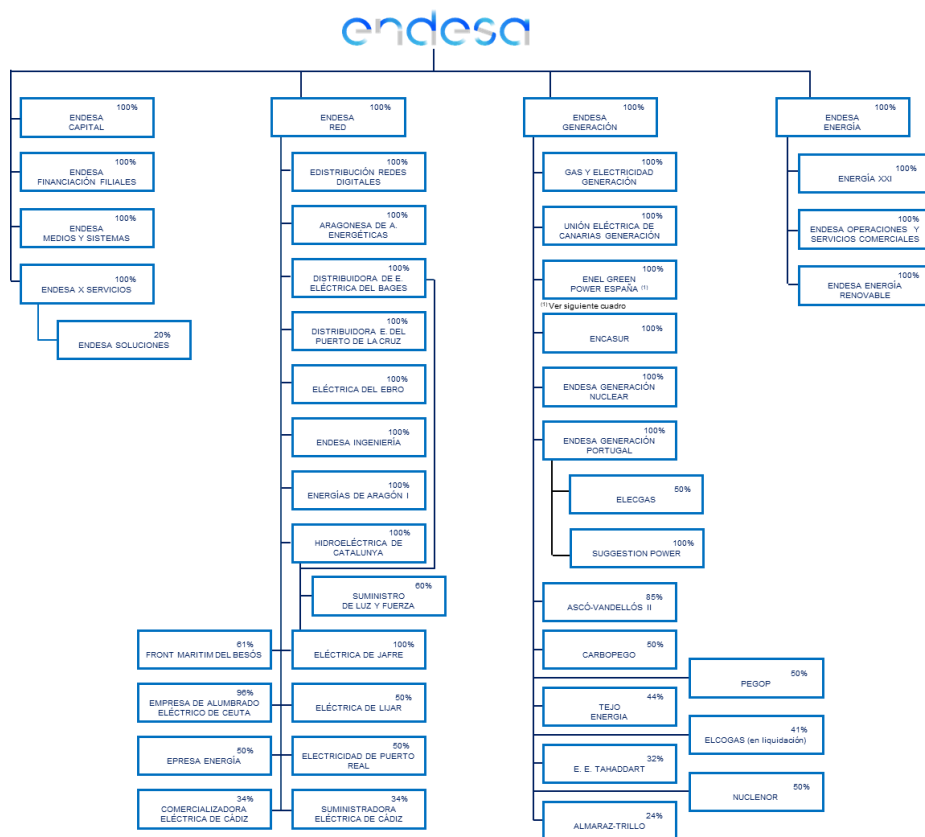
On 1 September 2020, ENDESA X Servicios, S.L.U. was incorporated by means of a partial spin-off ENDESA Energía, S.A.U. and ENDESA Ingeniería, S.L.U. to carry out development and marketing activities for new services adapted to the evolution of the energy market. Its activity is focused on four lines of action: e-Home, e-Industries, e-City and e-Mobility (see Note 2.3.1 to the Consolidated Financial Statements for the year ended 31 December 2020 and Section 2.5. Scope of Consolidation in the Consolidated Management Report).

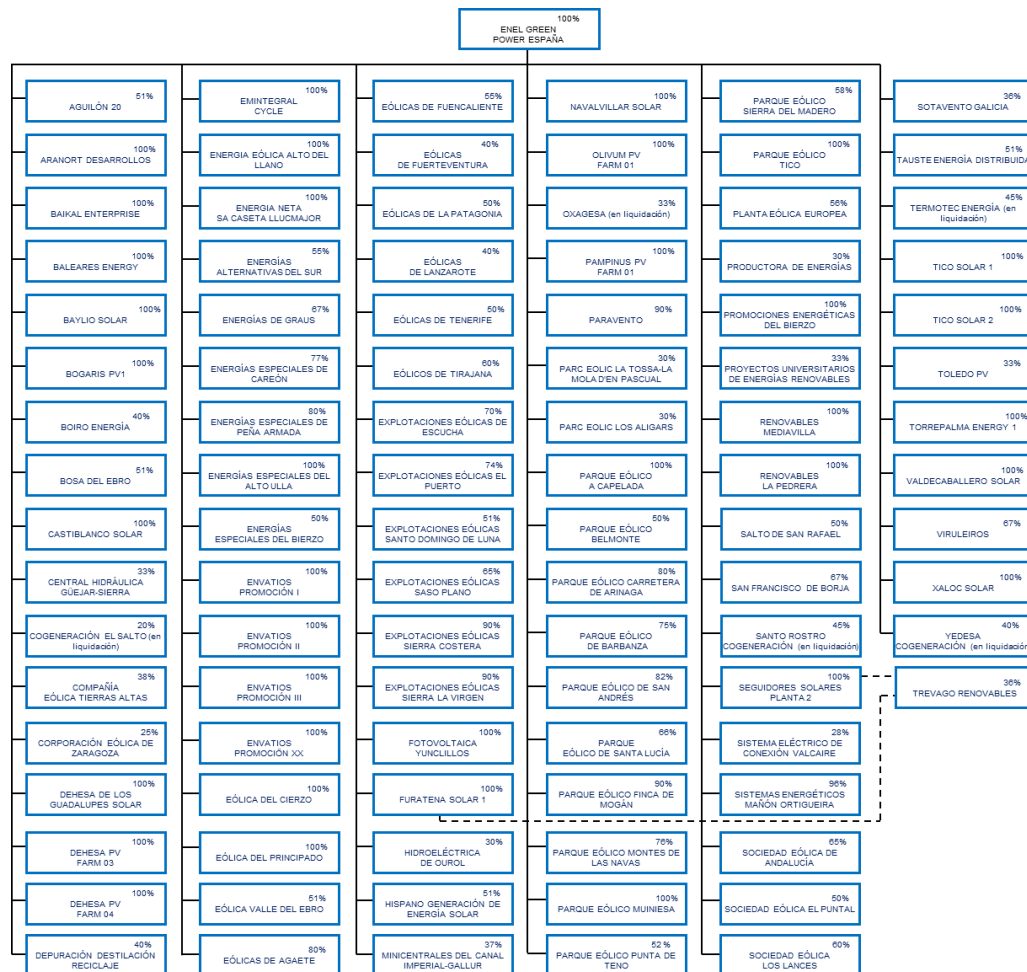
In 2020, net electricity sales amounted to 80,772 GWh and at 31 December 2020 the customer portfolio in the electricity market consisted of 10.4 million supply points. The total volume of gas sold in 2019 amounted to 70,045 GWh and at 31 December 2020 the customer portfolio in the conventional natural gas market consisted of 1.7 million supply points (see Section 2.6. Statistical Appendix to the Consolidated Management Report).

Appendix I to the Consolidated Financial Statements for the year ended 31 December 2020 lists ENDESA's subsidiaries and joint operation entities.

Appendix II to the Consolidated Financial Statements for the year ended 31 December 2018 lists ENDESA's associates and joint ventures.

There follows a corporate map of ENDESA showing in diagram form its main investees at 31 December 2020:





Additions, removals and changes in ENDESA's corporate map during 2020 are described in Notes 2.3, 2.4 and 2.5 to the Consolidated Financial Statements for the year ended 31 December 2020.

1.2.3.3.1. Energy business in Portugal

ENDESA's presence in the Portuguese electricity system is mainly concentrated in the electricity generation and supply activities in the deregulated market.

The assets invested in by ENDESA in 2020 equate to installed capacity in the ordinary regime of 1,483 MW distributed through its interests in Tejo Energia (628 MW) and Elecgas (855 MW).

ENDESA holds a 43.75% stake in Tejo Energia, the company that owns the coal-fired power plant, and a 50% stake in Elecgas, which owns the gas power plant, both established in Pego. In turn, ENDESA owns 100% of the energy produced by Elecgas, through the tolling contract in force between both parties.

The Pego coal and gas plants generated 300 GWh and 3,053 GWh respectively (3,184 GWh corresponding to ENDESA), which meant a 6.5% share of Portugal's total electricity consumption.

The operation and maintenance of the Pego coal-fired power station and combined cycle plant is carried out by Pegop, a company in which ENDESA has a 50% equity interest. ENDESA also owns 50% of Carbopego, the company that supplies the coal for the plant.

ENDESA continues to be one of the main operators in the Portuguese deregulated electricity market. At the end of the year, ENDESA had supplied 7.6 TWh to more than 407,000 supply points, distributed as follows: nearly 35,000 points in medium voltage and more than 372,000 points in low voltage. As for gas, more than 5.1 TWh were supplied and there were more than 111,000 active supply points at year-end.

1.2.3.3.2. Business in other countries

ENDESA is present in Morocco through a 32% stake in Energie Electrique de Tahaddart, which owns a 392 MW combined cycle power plant located to the north of Asilah, near the River Tahaddart. In 2020, the plant reached a production of 1,485 GWh (475 GWh corresponding to ENDESA's 32%).

In France, ENDESA supplied nearly 11.0 TWh of gas in 2020 to more than 5,600 active supply points.

In Germany, ENDESA supplied nearly 1.8 TWh of electricity and 0.2 TWh of gas, to almost 250 active supply points in total.

In the Netherlands, the Company supplied nearly 0.6 TWh of electricity and nearly 1,200 GWh of gas, to more than 100 active supply points each in electricity and gas at the end of the year.

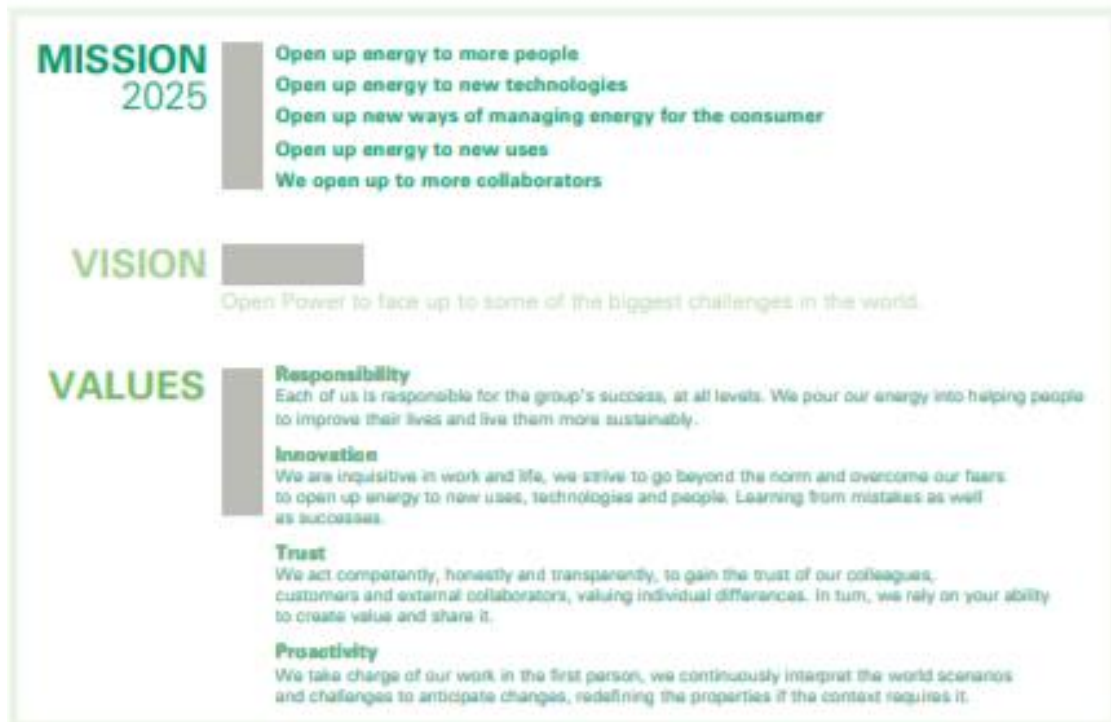
2. DRIVING SUSTAINABLE PROGRESS

2.1. Commitment to a sustainable energy model

2.1.1 The Open Power strategic positioning

The new corporate needs of the energy sector have served as the basis for the creation of the Open Power model as a strategic and operational approach for the Enel Group, to which ENDESA belongs.

Thus, the Open Power culture is part of the mission, vision and values of the Company to provide a more open, participatory, digital, safe, affordable and sustainable form of energy to face energy development with responsibility, innovation, trust and proactivity.



2.1.2 Commitment to sustainability

ENDESA considers sustainability as an essential element of its corporate culture that allows the Company to maintain a leadership position and strengthen it for the future. To this end, it integrates sustainability into its strategy and contributes to sustainable development through the creation of long-term value.

To successfully overcome the challenges in terms of sustainability that society faces, ENDESA has defined a series of principles and transversal commitments based on the Company's corporate values, which govern both management and actions in economic, social, ethical and environmental matters and relations with all its stakeholders.

These principles and commitments are included in the new Sustainability Policy, approved by the Board of Directors on 19 December 2020, the purpose of which is to formalise and specify the principles that guide sustainability management and the future commitments that constitute ENDESA's framework of action with Sustainable Development, as manifested in the Vision, Mission and Values of the Company. The reference to the Sustainability Policy can be consulted on the website: https://www.endesa.com/content/dam/enel-es/home/inversores/gobiernocorporativo/politicascorporativas/documentos/Politica-Sostenibilidad-ENDESA-21_12_2020.pdf

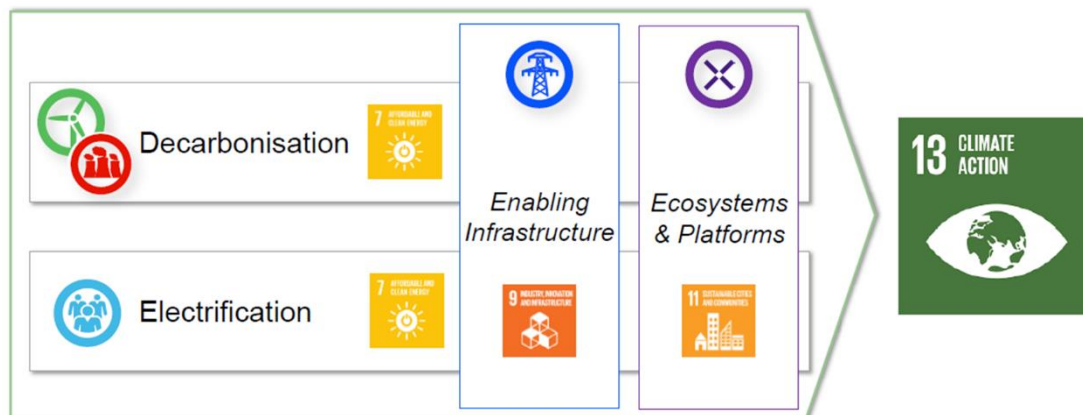
The Sustainability and Corporate Governance Committee is in charge of reviewing the sustainability policy and informing the Board of Directors of possible modifications to the policy and the Sustainability Plan in accordance with the functions and powers established in the Regulations of the Sustainability and Corporate Governance Committee.

Annually, the Sustainability and Corporate Governance Committee will receive the proposal for the Sustainability Plan that will include the details of all the actions and objectives defined to comply with the principles and commitments included in this policy in the following three years and having examined it will submit it for approval to the Board of Directors.

In the same way, the Sustainability and Corporate Governance Committee will annually monitor the degree of fulfilment of the Sustainability Plan.

2.1.3 ENDESA's sustainable business model

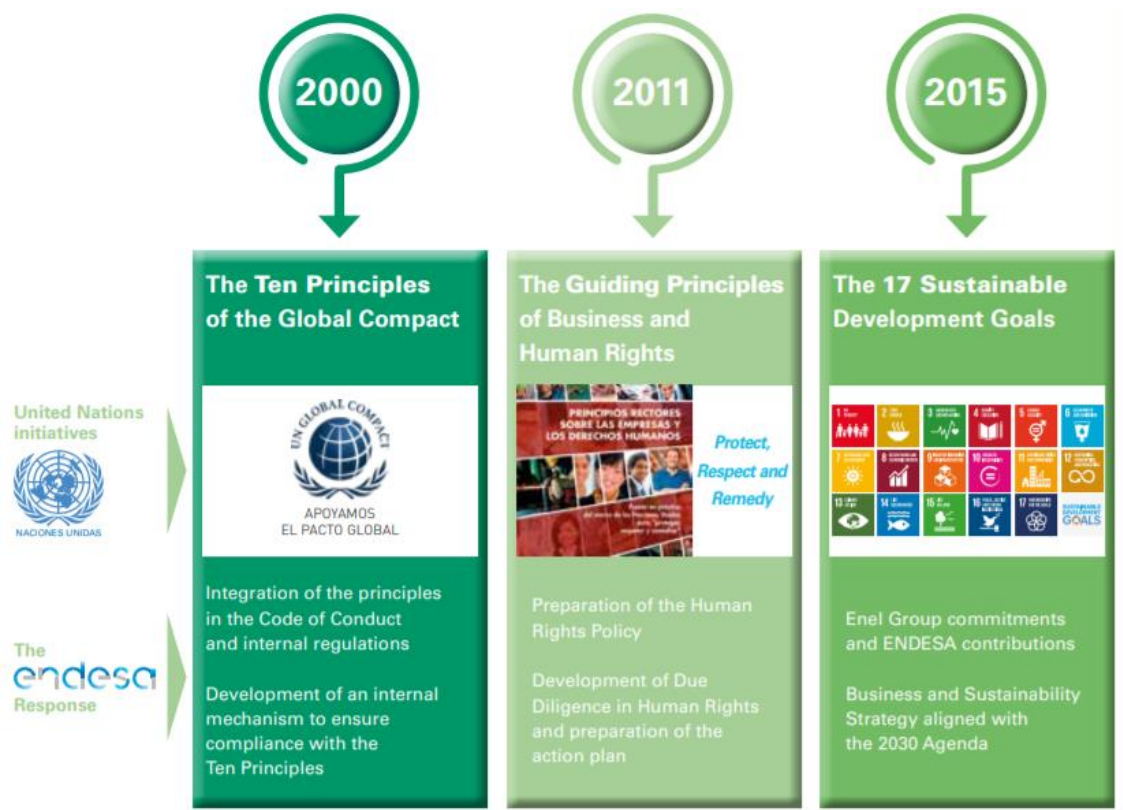
Given that sustainability management at ENDESA is a cross-cutting issue for the entire Company, the principles and commitments of sustainability are integrated into the daily management of the business and the specific objectives of the Company's sustainability strategy are defined. These principles extend to ENDESA's entire value chain, since they constitute key elements for achieving its purpose overall, being a significant player in sustainable development and leading the energy transition process.



2.2. Commitment to the United Nations agenda

102-12/103-1 Management approach: non-discrimination /103-2 Management approach: non-discrimination /103-3 Management approach: non-discrimination

ENDESA assumes the main international reference frameworks promoted by the United Nations for sustainable management as a key agent in the process of building a new global and sustainable energy model. Thus, it maintains a firm commitment to the Ten Principles of the Global Compact, the Guiding Principles on Business and Human Rights and the Seventeen Sustainable Development Goals.



2.2.1 The ten principles of the Global Compact

102-12/103-1 Management approach: non-discrimination /103-2 Management approach: non-discrimination /103-3 Management approach: non-discrimination

In 2002 ENDESA was one of the first Spanish companies to adopt the Global Compact, incorporating its principles into its Corporate Integrity standards, sustainability policy and strategy, and extending this approach to all regions in which it is present.

Its subscribing to the Global Compact was perceived positively by its stakeholders, as well as by sustainable investment funds and sustainability rating agencies, contributing to a favourable climate of dialogue and collaboration among all social agents, for which the Global Compact has proven a very useful tool.

The Global Compact requires participating companies to prepare an Annual Progress Report detailing the work done to integrate the ten principles into business strategies and operations, which must be public and available to stakeholders. In this regard, ENDESA once again reached the advanced level of the Global Compact in 2020, the highest category with which progress reports can be classified, due to its high level of performance in Sustainability and to its reporting on a set of good corporate sustainability governance and management practices.

In 2020 ENDESA maintained its commitment to the Global Compact. In this regard, it played an active part in the Spanish Global Compact Network, as a member of its Executive Committee, especially in relation to the promotion of the Sustainable Development Goals and the Guiding Principles on Business and Human Rights.

2.2.2 The Guiding Principles on Business and Human Rights

103-1 Management approach: human rights assessment /103-2 Management approach: human rights assessment /103-3 Management approach: human rights assessment

ENDESA has a permanent commitment to respect and promote human rights. This commitment is reflected in its corporate policies and is manifested through its adherence to the United Nations Global Compact, which incorporates support and respect for the protection of human rights and non-complicity in its violation within its first two principles. Likewise, ENDESA has historically developed pioneering activities to ensure respect for human rights in its activities and those of its supply chain, continuously developing processes to identify risks and potential human rights impacts.

Following the approval of the Guiding Principles of Business and Human Rights by the United Nations, ENDESA decided to formally adapt its historical commitment to respect and promote human rights to this new framework, integrating it into the management of business activity.

2.2.3 The Sustainable Development Goals

On 25 September 2015, the United Nations approved the 2030 Agenda on Sustainable Development for countries and their societies to be able jointly to solve the critical problems facing mankind. The Agenda has 17 Goals and 169 targets to be achieved by 2030. ENDESA collaborated in the drawing up of this Agenda and is firmly committed to it. It recognises the historic opportunity represented by the Sustainable Development Goals (SDGs) and the involvement of the private sector to overcome the main challenges that society faces, from the fight against climate change to the eradication of poverty and the assurance of economic and social progress.

This vision is shared within the ENEL Group, which has publicly committed to four SDGs and redefined its objectives for fulfilment of the 2030 Agenda.

- SDG 13 (Climate Action): In line with the 1.5°C trajectory of the Science Based Targets Initiative and the 1.5°C scenario of the IEA, there is a commitment to reduce specific GHG emissions in Scope 1 to 82 gCO₂eq/kWh in 2030.
- SDG 9 (Industry, Innovation and infrastructure) and SDG 11 (Sustainable communities and cities): Approximately 49 million end users with active smart meters and the installation of approximately 780,000 public and private charging points in 2023.
- SDG 7 (Affordable and Clean Energy): In the year 2023, approximately 70% installed net renewable capacity.

Indirectly, ENEL contributes to SDGs 4, 8 and 7 through social programmes and initiatives whose commitment is the following:

- SDG 4 (Quality Education): 5 million beneficiaries in 2015-2030.
- SDG 7 (Affordable and Clean Energy): 20 million beneficiaries in 2015-2030.
- SDG 8 (Decent work and economic growth) 8 million beneficiaries in 2015-2030.

ENDESA, for its part, assumes these commitments and adapts them to the context in which it operates. Thus, since announcing its specific contribution to the 2030 Agenda in 2016, it has continued to make progress with respect to its commitment to four main goals that directly affect its business model:

- SDG 13 (Climate Action): Decarbonisation of the energy mix by 2050, setting ambitious targets for the reduction of Scope 1 specific CO₂ emissions relative to 2017 of around 80% by 2030 and 100% by 2050. It has also set an objective of approximately 75% emission-free production in 2023, 80% in 2030 and 100% in 2050.
- SDG 9 (Industry, Innovation and infrastructure) and SDG 11 (Sustainable communities and cities): Capital expenditure of Euros 2.6 billion (+30%) in infrastructures and networks in the period 2020-2023 and Plan to deploy public infrastructures for 56,000 EV charging points (public and private) in 2023.
- SDG 7 (Affordable and Clean Energy): As a direct contribution, ambitious targets are incorporated into the industrial plan of 11.5 GW of renewable capacity in 2023, increasing its capacity by approximately 50% relative to 2020, with 89% CO₂-free production. As an indirect contribution, educational and training programmes on energy, accessibility and the promotion of energy efficiency are being run and will reach a total of 4.1 million beneficiaries over the period 2015-2030.

In addition, ENDESA, as part of the Enel group, contributes indirectly to SDG 4 (Quality Education), having made a public commitment to reach 0.8 million beneficiaries in the period 2015-2030, and to SDG 8 (Decent Work and Economic Growth) for which it has made a public commitment to reach 1.9 million beneficiaries in the same period through the social initiatives carried out.

These six are the highest priority SDGs for ENDESA and therefore those on which it places the greatest emphasis, but it also acts decisively on all the SDGs, on which it has been setting objectives and reporting since their appearance. To do this, ENDESA's Sustainability Plan 2021-2023 determines the roadmap for the next three years to contribute to the 2030 Agenda, thus aligning its sustainability strategy to this universal framework.

The internal communication campaign “Together we can do it”

ENDESA has been developing an internal awareness-raising campaign in relation to the SDGs since September 2020 with a threefold objective:

- to make employees aware of ENDESA's commitment to the SDGs;
- to familiarise employees with the SDGs;
- and to spur employees to action.

To this end, a network of SDG Ambassadors was created with 224 employees, who participated in the various proposals that have been made to them. Once the campaign is over, these ambassadors will be able to devote themselves to spreading ENDESA's message and its contribution to the 2030 Agenda and mobilising their social environment.

Over a period of more than a year following an initial launch meeting with the participation of the company's top management, monthly meetings were held with all the ambassadors in which each month the focus was on one of the SDGs. All 17 SDGs were covered, explaining their aims and the commitment or initiatives that ENDESA has for each of them.

The campaign has had great internal and external success, having been recognised in the XI Corresponsables Awards in the category of "Best Responsible Communication".

2.3. ENDESA's plan for facing the crisis deriving from the COVID-19 pandemic

ENDESA's global action plan for coping with COVID-19 has included measures to contribute to the fight against the spread of the virus, ensure energy supply, provide facilities to its customers and help mitigate the health, economic and social impacts of the pandemic.

Throughout the unprecedented crisis we have been living through as a result of the COVID-19 pandemic, our team has continued working, committed to quality, ensuring energy supply, helping our customers and taking care of our employees. In addition, a public responsibility action plan for COVID was immediately launched, with an endowment of Euros 25 million to help alleviate the critical situations that the Spanish population has experienced in different areas such as the lack of sanitary material, the coverage of basic needs, the unemployment generated by the crisis and help in reactivating the economic fabric.

ENDESA, as an essential agent for socio-economic development in the regions in which it operates, carried out an analysis in 2020 to assess the risk factors that could be exacerbated by the health crisis and that could affect both business activities, as well as its financial situation or performance. The result of this analysis was the identification of the real and potential impacts that could be caused by the appearance of a new outbreak of the virus or by the prolongation of the economic crisis. More information on the risk analysis and the identification of the resulting impacts can be found in section 7.1. COVID-19 Health Crisis in the Consolidated Management Report for 2020.

Always looking for ways to help our customers

A priority action for ENDESA, from the beginning of the state of alarm, has been to help customers with initiatives such as:

Freezing supply cuts: during the state of alarm we suspended all power and gas cuts for our residential customers. To avoid travel and physical contact, we provided information on how to use the direct debit system to pay bills. We also provided information to customers on how to do this through their bank's website, the endesaclientes mobile app, telephone using a bank card, or by clicking on this link: <https://www.endesa.com/es/te-ayudamos/endesa-covid-19>

Dealing with urgent repairs: we made the required and appropriate technical teams available to attend to urgent repairs with respect to electricity supply, household appliances, gas and equipment (boilers, immersion heaters, etc.). We also dealt with faults affecting essential electricity and gas supplies to companies (residents' associations, boiler rooms, hospitals, public services and transformer substations) and we offered a 100% discount on all our maintenance and repair services for 3 months for new registrations.

Facilities for SMEs and the self-employed: A global action plan was designed and the ENDESA Te Ayuda Plan was launched with special discounts and personalised advice.

A series of measures were deployed tailored to different needs, depending on the size of the company or business. The measures applied solely to the supply contract for professional or business premises. The possibility of postponing payment of bills, reducing power free of charge and temporarily suspending the supply of energy at no cost were the main initiatives we launched to help SMEs and the self-employed.

Changes in Customer Service: The state of alarm decreed by the Government included a series of measures that also affected ENDESA's Customer Service. Our highest priority is the well-being of customers and employees, which is why we adopted the following global plan:

- No residential customers had their supply cut off during the state of alarm.
- We attended all urgent repairs of gas installations, boilers, electrical breakdowns, residential communities, hospitals, etc.
- Changes in Customer Service: in compliance with the governmental decree, we closed our customer service offices on 16 March. From 11 May, we began to reopen them with new hygiene and safety measures. We continued to assist customers by telephone and through our online channels.

Our customers were able to continue making their urgent arrangements with ENDESA through the following channels:

- Telephone
- Requesting an appointment at an ENDESA office.
- Digital: through the ENDESA Customer Area and the ENDESA mobile app, with access to all invoices and contracts, as well as to controlling energy consumption.

In addition, through the telephone service, the provision of services regarding urgent gas repairs continued to be provided, as did the servicing of individual domestic hot water boilers, urgent electrical repairs and, of course, assistance for essential supplies (hospitals, boiler rooms, etc.).

For updated information on ENDESA's service, see: www.endesa.com. ENDESA's website has been a channel of constantly updated information for customers.

We have adopted health and safety measures to protect our employees

In addition to working to ensure the supply of energy and serve customers during the COVID-19 state of alarm, ENDESA implemented the necessary measures to guarantee the safety of workers obliged to go to their places of work, and has a safe, gradual reincorporation plan for when the time comes for employees in general to return to their places of work.

One of our priorities during the health crisis is protecting the health of the people who work for the company. Accordingly we have taken the necessary measures to promote working from home in all the regions in which we operate and to provide the necessary protection measures to all those who continue to work in their usual positions because they are considered critical or essential personnel for the performance of our business.

As the lockdown measures decreed by the Government become more flexible, we will be able to resume some of our usual activities in person. In order for this return to work to be carried out safely, we are implementing measures such as testing, taking temperatures, dividing up buildings and work centres, delimiting and defining new uses for communal spaces, making starting and finishing times more flexible and providing protective kits, with the mandatory use of masks.

These actions come on top of the package of measures put in place since the beginning of the health emergency to prevent the spread of the virus among employees in society in general:

- Restricting national and international travel and encouraging all employees to redefine their work patterns, making use of digital technologies and holding virtual meetings.
- Suspending training courses, corporate events and participation in face-to-face external conferences and events, except where necessary to ensure our operation as a company.
- Extra cleaning at all facilities
- Supplying additional personal protective equipment (such as masks, gloves, hand sanitiser) for people and work sites that require it, depending on the type of work carried out.
- Maintaining constant communication with workers so that they all have up-to-date information on any health and hygiene indication or recommendation issued by the health authorities.
- Establishing an internal procedure to make it easy for any workers with flu-like or respiratory symptoms to notify us immediately.
- Restricting external visits to our work locations.
- Informing our contractors and suppliers of the measures we have adopted to minimise exposure to COVID-19, appealing to their responsibility as employers to urge them to implement all necessary measures to guarantee the safety of their own workforces.

We launched the ENDESA Public Responsibility Plan for the COVID-19 Health Crisis

As part of its commitment to society and given the situation of health, economic and social emergency into which society has been plunged by the COVID-19 pandemic, ENDESA decided in 2020 to set up a Public Responsibility Plan, with an endowment of Euros 25 million, in order to alleviate the impact of the crisis in its different aspects in collaboration with public administrations, social institutions, civil society and businesses. The company made its financial, technical and human capacities available to society in the execution of the Public Responsibility Plan for COVID, which has had two distinct phases:

Phase I: Immediate response to urgent needs

Activated last March, when the unprecedented health emergency caused by COVID-19 demanded immediate measures of assistance in the country, to support public and private institutions focused on the fight against the pandemic and with pressing needs.

This phase of the Plan had three lines of action:

- **Purchase and donation of medical supplies and equipment.** Aimed at the provision of both protective equipment for health or public service personnel as well as the medical equipment necessary for the care of hospitalised patients.
- **Special energy supply conditions for field hospitals and medical hotels** In this second line of action, ENDESA made its capacity as an energy supplier available to the public service through two channels. The first was the provision of the equipment and personnel necessary to guarantee the electricity supply in these centres, with actions such as the supply of generator sets, emergency connections, power increases, troubleshooting, etc. The second course of action was the supply of free energy during the period of the first state of alarm and confinement, to field hospitals and medical hotels that were ENDESA customers.

- **Monetary donations** to public institutions, NGOs and Foundations to help alleviate the basic needs detected during the health crisis. In this regard, in addition to the contributions of the company, a collaboration channel was opened with the employees in some initiatives, so that they could contribute resources if they wished. As a result, an additional €240,000 was raised, thanks to the contributions of 1,406 employees. It should also be noted that part of the resources of this axis were allocated to scientific research projects that would help alleviate the pandemic.

The main recipients of aid were:

- Government, public administrations and NGOs, according to the degree of impact of the pandemic.
- Hospitals, nursing homes, health centres and medical facilities.
- Public service teams, such as the local police, the UME (military emergencies unit) and civil protection among others.

NGOs and foundations.

| Axis | Material/Service | Some actions | |
|--|--|---|--|
| AXIS 1- DONATION OF SANITARY MATERIAL | Sanitary material for regional governments and town councils | Donation for the purchase of sanitary material | |
| | Face masks | > Acquisition of 376,000 FFP2 masks to be made available to health authorities and nursing homes > Acquisition of 2 million surgical masks. Donations to INGESA (National Institute of Healthcare Management) and autonomous regions | |
| | Respirators | Purchase of 95 respirators for the Autonomous Regions of Andalusia, Catalonia and Madrid | |
| | Portable X-ray machines | > Purchase of 8 portable X-ray machines monetary donation to the Autonomous Region of Andalusia > Purchase of 2 portable X-ray machines through a monetary donation to the Autonomous Region of Aragón, for Teruel and Calatayud | |
| | Mass testing robots | Purchase, installation and maintenance of four robots for donation to hospitals in the Balearics, Canary Islands and Andalusia | |
| | CAT | Purchase of 1 EVO CAT scanner through monetary donation to the Government of Aragón | |
| | Thermometers and pulse oximeters | Purchase of 300 non-contact infrared thermometers and 175 pulse oximeters for nursing homes in Madrid | |
| | Visors (ENDESA Foundation) | 25,000 protective visors delivered to hospitals and nursing homes throughout Spain | |
| | Malaga University | Help with the purchase of material for the Respira Andalucía project | |
| | Echocardiography machines | Purchase of a transesophageal ultrasound probe for donation to the Teruel Hospital | |
| | Property donated by thermal power plants | Donation of a property in Andorra for use as a medical centre | |
| | | Material in stock from cross-sectional areas and business lines of the company (thermal and renewable and nuclear generation), donated to local institutions (health centres, nursing homes, security forces, etc.) | 23,665 FFP2 masks, 1,260 surgical masks, 1,392 disposable coveralls, 869 antacid and waterproof coveralls, 86 pairs of goggles, 2,575 plastic bags, 175 cans of hydrogel (1/2 litre), 112 anti-splash screens, 41 boxes of nitrile gloves and 490 polypropylene sheets |
| AXIS 2- SUPPLY CONDITIONS | Field hospitals by the supply company | Supply of free energy to 7 field hospitals in Andalusia, Aragón, Catalonia, Galicia and the Canary Islands during the critical period of the pandemic | |
| | Medical hotels by the supplier | Free energy supply to 33 medical hotels | |
| | Field hospitals by distribution | Urgent connection to the electricity grid for field hospitals | |
| AXIS 3- MONETARY DONATIONS | Basic needs of vulnerable people (food, hygiene, health, etc.) | Red Cross | Contribution of the "Red Cross Responds" project |
| | | Food Bank | Donation to cover food needs. |
| | | Cáritas | Donation to cover food needs. |

| Axis | Material/Service | Some actions |
|----------|--|--|
| | Other NGOs | Associations (Norte Joven, Padre Pulgar, Arrabal, Apanid) and Foundations (Altius, Save the Children, Safa, Integra, Tomillo, Casals des Infants, San Juan del Castillo and Secretariado Gitano) |
| Research | CSIC (Spanish National Research Council) | Research against COVID-19 |
| | Paremos el COVID ("Let's stop COVID") | Research and testing project to combat the COVID-19 virus. |

Phase II: Socio-economic reactivation

Launched in June 2020, the second phase of the ENDESA Public Responsibility Plan for COVID has been aimed at promoting the country's socio-economic recovery and providing help to those who have suffered most and are most vulnerable.

Phase II of the plan has two themes and four lines of action aimed at the groups most affected at a socioeconomic level due to the pandemic:

ENDESA Families.

Its objective is social inclusion through projects to support families in vulnerable situations.

- **Coverage of basic needs.** Second phase of covering basic needs for families in vulnerable situations, to minimise the risk of exclusion. This axis has responded to the needs of food, hygiene, health and protection, with special focus on children, youth and families in vulnerable situations.
- **Digital divide and education:** Minimisation of the digital gap for students and teachers in the new post-COVID relationship model and education support programmes. Its objective is to minimise the impact on children and young people from different economic environments when education becomes virtual and specific tools are needed to access classrooms. Training has been provided for teachers and students to help them take advantage of new technologies and their possibilities.
- **Training for employment and employability.** Actions that promote the improvement of employability in groups in vulnerable situations. Employment is another of the most pressing needs resulting from this crisis, so training to improve access to the labour market is another of the programme's aid channels. Programmes have been implemented to promote employability in vulnerable groups who are unemployed as a result of the pandemic, through accompaniment, training and skills development.

ENDESA Activa:

With the aim of promoting the reactivation of the Spanish business fabric.

- **Economic revival.** Advice, digitisation and support for SMEs, VSEs and the self-employed as a fundamental element of the Spanish business fabric. The crisis has highlighted the need to continue supporting the sectors financially hardest hit by the health crisis, through the creation of new, innovative ways of interacting. It also frames support for specific local reactivation plans.

The main recipients of aid have been:

- SMEs, VSEs and the self-employed.
- Regional education ministries.

- Chambers of Commerce.
- Municipalities
- NGOs and foundations.

| Axis | Type of programmes | Some actions |
|--|---|--|
| AXIS 1 - ENDESA FAMILIES: BASIC NEEDS | Reception and support programmes for vulnerable children | Food Bank, SOS Children's Villages, Cáritas Mallorca, Rafael Nadal Foundation, etc. |
| | Basic needs coverage programmes | |
| AXIS 2 - ENDESA FAMILIES: DIGITAL GAP IN EDUCATION | Programmes to provide devices to minimise the digital divide | Provision of more than 5,000 computers and connection cards to more than 400 educational centres and institutions |
| | Digital training and educational reinforcement programmes | Training in digital skills for nearly 60,000 teachers and students. Educational reinforcement for minors in social exclusion |
| AXIS 3- ENDESA FAMILIES: TRAINING FOR EMPLOYMENT AND EMPLOYABILITY | Comprehensive support programmes for job placement | > Promote women - Adecco Foundation > New employment niches - Altius Foundation |
| | Training programmes in new employment niches | > Jobs in organic fruit growing - Cáritas Menorca > Professional diversification - Red Cross |
| | Programmes to develop digital skills: | > Factoría 5 - Digital Talent Programme - Don Bosco Foundation and Formació i Treball Foundation > Click A Digital skills - Red Cross |
| | Programmes to improve basic competencies to improve employability | > Son Roca Talent - Naüm Son Roca > FORO Programme - Associació Espiral |
| AXIS 4-ENDESA ACTIVA: ECONOMIC REACTIVATION. | Digitisation programmes for SMEs and digital marketing | > Digital lighting for SMEs in rural areas - Afammer > Business digitisation - CC Mallorca |
| | Mentoring and microcredit programmes for SMEs | > Microcredits and Mentoring - Youth Business Spain > Senior talent at the service of SMEs - Mas Humano Foundation |
| | Entrepreneurship support programmes | > Help for entrepreneurs and SMEs - Mentor Day > ENDESA Dona + Impuls - CC Mallorca |
| | Support programmes for local reactivation | > Madrid Future: Regeneration plan > Volveremos si tu vuelves (We'll be back if you will!)- City Hall Zaragoza |

A total of 25 million euros have been allocated to Phases I and II of the Public Responsibility Plan, which is estimated to benefit more than 1.7 million people through collaboration with nearly 800 institutions. Part of the management of the projects started this year will continue during 2021.

Lessons learned

ENDESA's Public Responsibility Plan, managed in collaboration with the ENDESA Foundation, has established and strengthened collaboration ties with entities, institutions and other foundations, in addition to providing help to those who needed it most in sometimes very difficult times, joining forces with others. According to ENDESA CEO José Bogas, "the ability of society to agilely join forces and turn the direction of its projects towards a different and supportive focus, should be one of those lessons learned that are here to stay. Life is unpredictable, true, but what is predictable is that it takes an effort from everyone to overcome challenges".

2.4. Respect for human rights

2.4.1 ENDESA's human rights policy

103-1 Management approach Human rights assessment/103-2 Management approach Human rights assessment /103-3 Management approach Human rights assessment /102-15

In May 2020 the Board of Directors of ENDESA, S.A. approved the updated version of the human rights policy originally approved in June 2013, thus following the recommendations established by the UN Guiding Principles on Business and Human Rights. This policy includes ENDESA's commitment and responsibilities in relation to all human rights, and especially those that affect its business activity and the operations developed by ENDESA employees, both managers and employees. It also promotes the adherence of its contractors, suppliers and business partners to the same principles, paying particular attention to conflict and high risk situations.

With the aim of applying the commitments included in the Human Rights policy, and following the recommendations of the guiding principles, in 2017 ENDESA carried out a Due Diligence process to ensure its implementation and monitoring. The implementation of the actions included in that action plan was successfully completed in subsequent years until reaching 100% compliance in 2019. This plan is supervised annually by ENDESA's Board of Directors.

In 2020 another Human Rights Due Diligence process took place, the result of which was an action plan with six actions to be carried out in the next three years.

The policy identifies eight principles framed in two broad areas, labour practices and communities and societies:



The policy is available at www.endesa.com

2.4.2. The Due Diligence process

102-15

ENDESA carried out an initial due diligence process during 2017 through which it assessed the level of compliance with its policy and the Guiding Principles. This process covered all of its business activity in Spain, including electricity generation, distribution and marketing activities, as well as supply chain management, asset purchase processes and corporate functions.

This process was developed based on a first identification of the perceived macro level of risk in the environment in which the Company operates, a subsequent evaluation of the real and potential impacts of ENDESA's activity on human rights and, finally, the design of an action plan.

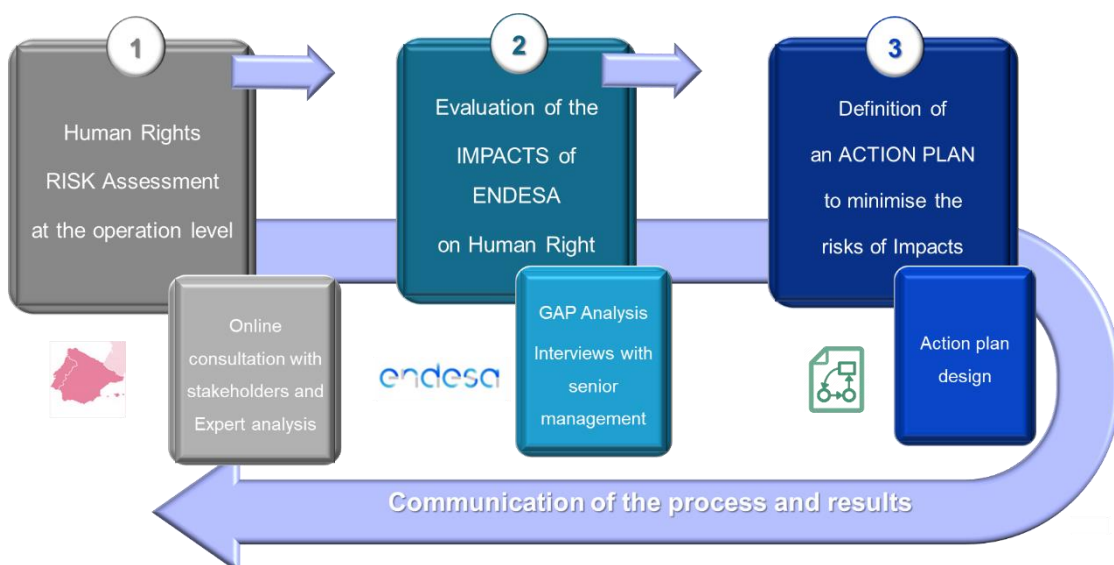
The entire process was presented to the Audit and Compliance Committee of the Board of Directors on 29 January 2018 to report the main results of the Due Diligence and the action plan designed, for the purpose of follow up on an annual basis. In its meeting of 24 February 2020, the Audit & Compliance Committee was informed of the actions carried out in 2019 to comply with the aforementioned action plan, the result of which was 100% compliance with the actions.

The execution of this plan allowed a series of actions to be carried out, among which the following stood out:

- Design and progressive development of a human rights training programme aimed at facilitating general training for all employees.
- Promotion of measures to avoid discriminatory attitudes during the selection process (inclusive language in publications, at least one woman in the finalists, exhaustive reporting of the percentage of women in all phases of the selection process, etc.).
- Inclusion of Human Rights criteria in the evaluation process (vendor rating) of suppliers.
- Inclusion of Human Rights aspects in the sustainability questionnaire made to contractors.
- Communication and dissemination of the ethics channel to suppliers and contractors.
- New counterpart evaluation procedure with a focus on Human Rights in coal suppliers.
- Roll-out of the emergency plan for hydraulic dams in 100% of assets.
- Incorporation of a focus on Human Rights in the focus groups carried out with NGOs to prepare the materiality analysis.
- Incorporation of the relationship function with local communities at the facility level.
- Creation of a specific channel (sostenibilidad_csv@enel.com) to receive queries, complaints or requests for clarification about projects that might be carried out, which will be included in the panel sites of each of the works of the renewable parks.

Although the execution of this action plan meant a reduction to the minimum of the potential opportunities for improvement in the management of Human Rights, in 2020 this same Due Diligence process was repeated, to continue with the commitment of continuous evaluation of compliance with the Guiding Principles and ENDESA's Human Rights policy.

The Human Rights Due Diligence Process



2.4.2.1 Context Assessment

In order to know the context in which ENDESA operates in the field of human rights and to identify those matters that could pose a higher level of initial risk, ENDESA carried out a consultation in 2020 with more than 150 sources from among its interest groups, which was completed with an analysis by experts in the field of Human Rights.

This consultation has allowed the Company to classify each of the principles included in the human rights policy according to the level of risk, no element with high or very high risk having been identified.

2.4.2.2 Impact assessment of ENDESA's business activity

The objective of the second phase of the process was to carry out an analysis of the ENDESA value creation chain in order to identify real and potential impacts of the Company on each of the aspects included in the human rights policy and in the applicable Guiding Principles. To do this, it acted on two levels:

- conducting in-depth interviews with Senior Management in order to analyse the latest situation as regards the integration of respect for human rights into the daily management of the company, thus being able to identify potential risks and opportunities; and
- Internal evaluation of the company's policies, procedures, systems and practices in each of the business and management areas, based on the analysis of more than 130 indicators that measure performance in the different aspects of human rights related to management business.

This analysis made it possible to verify that that ENDESA already had a set of very robust management mechanisms and systems in place at the time of the due diligence process, enabling it to guarantee respect for human rights and properly manage existing risks. In this regard, the main results and existing management mechanisms identified in 2020 are summarised below:

| Aspects | Level of Management and Maturity in ENDESA | Mechanisms for Risk Management |
|---|--|---|
| Scope: Labour Practices | | |
| Freedom of Association and Collective Bargaining | Robust | More than 90% of the workforce covered by collective agreements agreed with the different trade union organisations and adjusted to the treaties in force of the International Labor Organization (ILO) ratified by Spain. The functioning of these organisations and the right to union action are expressly included in the collective agreements. |
| Rejection of Forced or Compulsory Labour and Child Labour | Robust | The management systems and procedures of People and Organisation guarantee the absence of minors in the workforce. The conditions of hiring employees are clearly detailed in the contract itself and collective agreements regulate the performance of overtime, there being a commitment to their remuneration and minimisation. |
| Respect for Diversity and Non-Discrimination | Robust | ENDESA has a diversity and inclusion policy and action plan that establishes objectives and lines of action in four areas (gender, age, nationality and disability) in order to spread a culture that pays attention to diversity as an element of generation of value In addition, the collective agreement regulates the existing equality plan in the company. |
| Occupational Health and Safety (OHS) | Robust | ENDESA work centres have occupational health and safety management systems certified by the international standard ISO 45001, through which appropriate measures are established to manage the risks inherent to ENDESA's industrial activity and reduce the accident ratios. In addition, the prevention of occupational hazards is integrated into the activities, processes, practices and facilities throughout all the management bodies of the company. |
| Fair and Favourable Working Conditions | Robust | Working conditions are regulated through collective agreements agreed with trade union organisations. In addition, the different mechanisms and procedures of People and Organisation management are aimed at promoting working conditions that exceed the requirements established by current regulations. |
| Scope: Communities and Society | | |
| Respect for the Rights of | Robust | ENDESA is currently implementing a methodology for creating shared value in the management of its local operations, through which it integrates the expectations of local |

| Aspects | | Level of Management and Maturity in ENDESA | Mechanisms for Risk Management |
|-------------------------------|--|--|---|
| the Communities | Responsible Relations with the Communities | | <p>communities in the management of assets and seeks solutions that generate value in the Company, thus contributing to obtaining the "social licence" to operate.</p> <p>This methodology is implemented throughout the useful life of the asset.</p> |
| | Security management | Robust | <p>ENDESA makes use of private security forces in accordance with the provisions of current regulations.</p> <p>Security services are provided by external personnel duly accredited and authorised by the Ministry of Interior. As part of their training, aspects of Private Security legislation, basic rights of people and human rights are included. Likewise, they undergo periodic review and evaluation processes by the State's law enforcement authorities.</p> |
| | Environment | Robust | <p>ENDESA has environmental management systems certified by ISO 14001 for 100% of its electricity generation and distribution activity. Through these systems, the Company establishes environmental monitoring plans and continuous improvement measures that go beyond the requirements established by current regulations.</p> |
| Integrity and Ethical Conduct | | Robust | <p>ENDESA has a Code of Ethics, a Zero Tolerance Plan with Corruption and other regulations in accordance with the most advanced compliance models. In addition, among other aspects, ENDESA has established specific action protocols in order to guide the actions of its employees regarding accepting and offering gifts and entertainment, and in dealings with public officials and authorities. ENDESA also has a crime prevention model that complies with the regulations applicable to the group regarding corporate criminal liability. This model was certified in 2017 under the UNE 19601 standard: 2017. Finally, since 2017 the Company has a legal and anti-bribery compliance policy, as well as an anti-bribery management system certified by the UNE-ISO 37.001-2017 standard.</p> |

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During the due diligence process, the extension of the commitment to human rights throughout the entire value chain, including the supply chain and responsible customer relations, was also analysed. The main mechanisms for the management of both aspects are detailed below:

| Appearance | Management Mechanisms |
|--|--|
| Supply Chain | |
| Supplier and Contractor Management | <p>The general contracting terms and conditions include obligations for suppliers and contractors in relation to respect for human rights during the provision of the service contracted by ENDESA.</p> <p>Likewise, since 2017 the supplier qualification process includes criteria for the evaluation of human rights for the families of suppliers with higher risks. If necessary, audits and on-site visits are planned, as well as the establishment of improvement plans by suppliers and, if appropriate, the loss of qualification and the possible suspension of the contract.</p> |
| Fuel Provision | <p>ENDESA systematically performs a counterparty analysis prior to contracting supply services. This analysis allows identifying relevant controversies that may entail legal and reputational risks for the Company and incorporates elements related to human rights.</p> <p>Likewise, during the last few years there has been a lot of pressure on the part of Civil Society and investors regarding coal mining, transferring this pressure to the electrical companies (especially the European ones) that use this fuel for the operation of their thermal power stations. ENDESA is part of the Bettercoal initiative. Promoted by a group of European electricity companies, this global initiative aims to promote the continuous improvement of corporate responsibility in the coal supply chain, including human rights as one of its main elements. Thus, mining companies must adopt the Bettercoal code and implement a set of good practices and undergo continuous evaluation and improvement processes. For more details see the Supply Chain section of this report.</p> |
| Responsible Relations with the Customer | |
| Privacy and Communications | <p>ENDESA has a system certified by AENOR for the treatment of commercial and Customer Service advisors that is based on a specific ethical code aimed at ensuring that the commercial activity complies with current legislation, respects private life, guarantees the protection of minors and respect those who do not want commercial information.</p> <p>Regarding the protection of personal data, ENDESA has the appropriate monitoring and review systems and mechanisms to comply with the Organic Law on Data Protection.</p> <p>With regard to advertising communications there is an internal control system that seeks to minimise risks and avoid messages that may threaten human dignity or human rights.</p> |
| Access to Energy for Vulnerable Customers | <p>ENDESA recognises the essential role that access to energy constitutes to guarantee the fulfilment of human rights, since it is directly related to the well-being of people and their quality of life.</p> <p>In this sense, the States have the main responsibility of guaranteeing sustainable, safe and affordable access to basic energy services. However, the electricity sector can contribute to this end and thus promote social and economic development that is inclusive and sustainable.</p> <p>In this context, ENDESA is aware of the serious problem of the inability to deal with the energy bill in many Spanish homes and, therefore, the Company has pioneered the signing of agreements with the Public Administration to guarantee the supply to the vulnerable customers.</p> <p>In addition, the Company develops different actions aimed at promoting energy efficiency and saving the electricity bill of this type of groups.</p> |

2.4.3 Opportunities for Improvement and action plan

During the process of evaluating compliance with human rights policy and its alignment with the Guiding Principles, a set of improvement opportunities were identified to strengthen the Company's commitment to respect for human rights in the performance of its industrial activity and commercial.

To cover these opportunities for improvement an action plan was defined containing 6 actions, the development of which was planned for 2021 and subsequent years and whose follow-up is submitted to the Board of Directors of ENDESA, S.A. through the Audit and Compliance Committee.

The main improvement opportunities identified and the actions to be carried out in the action plan are detailed below:

| Opportunity identified | Planned actions |
|--|---|
| Evaluate in detail the aspects related to Human Rights in the deployment of all activities | Develop an on-site Due Diligence methodology for thermal and renewable generation plants. |
| | Develop an on-site Due Diligence pilot programme in two generation plants. |
| | Continue the deployment of the CSV methodology in all business lines |
| Monitor working hours | Digitise the hourly record of the working day of each worker |
| Continue promoting and deepening prevention in occupational health and safety | Put into operation new Health and Safety committees with the representations obtained in the last union elections as a forum for channelling issues regarding Occupational Risk Prevention. |
| | Continue with the actions associated with the Prevention of Occupational Risks: <ul style="list-style-type: none"> • Hold the meetings of the Participation Commission • Initiate an in-depth investigation of any significant accident or incident with the Root Cause methodology • Continue with an inspection system in which all operations of all business lines are analysed both in actions carried out with its own personnel and with contractor personnel. • Analyse and classify the ORP actions of the Health and Safety coordinators in those operations in which their presence is required. |

2.4.4 Whistleblowing and complaint mechanisms

ENDESA's human rights policy provides that when any person related to ENDESA, whether an employee or an external person, considers that there is a situation contrary to what is stated in the policy itself, that person may inform report it by writing to the Ethical Mailbox or to the postal or e-mail addresses available for the purpose.

In the treatment of these communications, the Audit Function will act to protect the informants from any form of retaliation, being understood as such any act that may give rise to the mere suspicion that the person in question may be subject to any form of discrimination or penalty. In addition, the confidentiality of the identity of the informants is guaranteed, unless otherwise stipulated in the applicable legislation.

For issues relating to the workplace, ENDESA has the necessary mechanisms to establish a continuous dialogue with the various trade union organisations through which they can transmit complaints or claims to the company. Likewise, through the Open Power strategic positioning, ENDESA seeks to establish an increasingly continuous and close dialogue with civil society

organisations through which complaints or suggestions on issues relating to human rights can also be received. In this regard, it is worth mentioning the existence of a sustainability mailbox through which any stakeholder can contact the company.

In any case where, based on a communication of this type, it is determined that there has been a breach of the principles set forth in this Policy, the corresponding procedure provided in the Code of Ethics will apply. Likewise, ENDESA is committed to developing the appropriate remediation mechanisms, without prejudice to allowing access to other judicial and non-judicial mechanisms that may exist.

Additionally, within the former Due Diligence Action Plan, a specific channel (sostenibilidad_csv@enel.com) was created to facilitate the reception of queries, complaints or requests for clarification on any projects that might be developed. Information on the existence of this channel will be available, as well as in the usual ENDESA communication channels, on the panel sites located in all the renewable park works.

2.4.5 Cases of violation of human rights

In 2020 there were no reports relating to human rights (“psychological harassment” or corporate climate and people and organisation management), while in 2019 there were 2 complaints about issues related to human rights, in which no breaches were verified.

3. RESULTS 2020

3.1. Financial results

Main financial indicators

- Revenue Euros 17,579 million
- EBITDA Euros 3.783 million
- Net income Euros 1,394 million
- Ordinary net income Euros 2,132 million

3.1.1. Consolidated results.

ENDESA reported ordinary net income, not including non-recurring effects, of Euros 2,132 million in 2020, representing an increase of 36.5% on the previous year.

Net income attributable to the Parent Company amounted to Euros 1,394 million in 2020, representing an increase of 715.2% compared with the Euros 171 million obtained in 2019. The decrease in ENDESA's net income in 2019 was due to the recognition of a net impairment of Euros 1,409 million corresponding on the one hand to the total carrying amount of the mainland coal-fired thermal generation assets (Euros 1,105 million) and on the other hand to the Cash Generating Units (CGUs) of the non-mainland territories (Euros 304 million). For more details see section 2.3.2. Operating Expenses in the Consolidated Management Report for 2020.

The breakdown of net profit and ordinary (recurring) net profit for 2020 among ENDESA's Businesses and their variation relative to the previous year is presented hereunder.

| Millions of Euros | Net Income ⁽¹⁾ | | | | Ordinary Net Income ⁽²⁾ | | | |
|-----------------------|---------------------------|-------|---------|-------------------------|------------------------------------|-------|--------|-------------------------|
| | 2020 | 2019 | % Var. | % Contribution to Total | 2020 | 2019 | % Var. | % Contribution to Total |
| Generation and Supply | 558 | (823) | (167.8) | 40.0 | 1,035 | 586 | 76.6 | 48.5 |
| Distribution | 989 | 1,077 | (8.2) | 70.9 | 1,157 | 1,059 | 9.3 | 54.3 |

| | | | | | | | | |
|-----------------------------------|--------------|------------|--------------|--------------|--------------|--------------|-------------|--------------|
| Structure and Others ³ | (153) | (83) | 84.3 | (11.0) | (60) | (83) | (27.7) | (2.8) |
| TOTAL | 1,394 | 171 | 715.2 | 100.0 | 2,132 | 1,562 | 36.5 | 100.0 |

¹Net Income = Net Income of the Parent Company

²Net Ordinary Income = Net Income of the Parent Company - Net Gains or Losses on Sales of Non-Financial Assets (greater than Euros 10 million) - Net Impairment Losses on Non-Financial Assets (greater than Euros 10 million) - Net Initial Provision for Personnel Expenses in respect of Workforce Restructuring Plans related to the Decarbonisation Plan and the Digitisation of Processes - Net Expenses corresponding to the Public Responsibility Plan for the COVID-19 Health Crisis.

³Structure, Services and Adjustments.

3.1.2. Revenues, EBITDA and operating results

Revenues in 2020 totalled Euros 17,579 million, Euros 37 million (-12.8%) less than in 2019. To see the gross operating profit (EBITDA) and the operating profit (EBIT) by segments (Generation and Supply; Distribution and Structure and Others) see section 2.4 Results by Segments of the 2020 Consolidated Management Report.

| | Results 2020 | | | | | |
|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Income | | EBITDA | | EBIT | |
| | Millions of Euros | % chge. from 2020 | Millions of Euros | % chge. from 2020 | Millions of Euros | % chge. from 2020 |
| Spain and Portugal | 17,579 | -12.8 | 3,783 | -1.5 | 1,886 | 386.1 |

3.1.3. Investments

In 2020, ENDESA made gross investments of Euros 1,846 million. Of this amount, Euros 1,823 million were related to investments in property, plant and equipment and intangible assets, and the remaining Euros 23 million to financial investments, as follows:

| Millions of Euros | Reference ⁽¹⁾ | Investments (2) | | |
|---|--------------------------|-----------------|--------------|---------------|
| | | 2020 | 2019 | % Var. |
| Generation and Supply | | 897 | 1,290 | (30.5) |
| Generation in Non-Mainland Territories | | 102 | 80 | 27.5 |
| Other Generation and Supply | | 795 | 1,210 | (34.3) |
| Distribution | | 614 | 609 | 0.8 |
| Structure and Others ³ | | 78 | 26 | 200.0 |
| TOTAL PROPERTY, PLANT AND EQUIPMENT ^(4,5) | 6.2 | 1,589 | 1,925 | (17.5) |
| Generation and Supply | | 185 | 160 | 15.6 |
| Generation in Non-Mainland Territories | | 3 | 5 | (40.0) |
| Other Generation and Supply | | 182 | 155 | 17.4 |
| Distribution | | 22 | 40 | (45.0) |
| Structure and Others ³ | | 27 | 34 | (20.6) |
| TOTAL INTANGIBLE ASSETS ⁵ | 8.1 | 234 | 234 | - |
| FINANCIAL INVESTMENTS | | 23 | 43 | (46.5) |
| TOTAL GROSS INVESTMENTS | | 1,846 | 2,202 | (16.2) |
| Capital grants and Facilities Sold | | (135) | (133) | 1.5 |
| Generation and Supply | | (7) | (4) | 75.0 |
| Distribution | | (128) | (129) | (0.8) |
| TOTAL NET INVESTMENTS ⁶ | | 1,711 | 2,069 | (17.3) |

¹Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

²Does not include corporate acquisitions made during the year (see Note 5 to the Consolidated Financial Statements for the year ended 31 December 2020 and Section 2.6. Scope of Consolidation in this Consolidated Management Report).

³Structure, Services and Adjustments.

⁴In 2020 this includes recognition of rights of use amounting to Euros 182 million (Euros 138 million in 2019) (see Note 6.1 to the Consolidated Financial Statements for the year ended 31 December 2020).

⁵In 2020 this includes Euros 1,647 million relating to investments for low-carbon products, services and technologies (Euros 1,931 million in 2019).

⁶Net investments = Gross investments – Capital grants and facilities sold.

Gross investment in generation in 2020 corresponded, for the most part, to the construction of facilities for the generation of electricity from renewable sources for an amount of Euros 394 million, of which Euros 17 million and Euros 75 million correspond to companies acquired and/or incorporated in 2020 and 2019, respectively (Euros 610 million in 2019). It also includes the recognition of a right of use asset corresponding to the land where certain renewable generation facilities are located, for an amount of Euros 97 million.

Gross investments in supply in 2020 mainly related to the development of the new products and services activity for Euros 24 million (Euros 26 million in 2019). In 2019 they also included recognition of a right-of-use asset, corresponding to the charter contract of a methane vessel for the transport of liquefied natural gas (LNG), for an amount of Euros 121 million.

Gross distribution investments relate to grid extensions and capital expenditure aimed at optimising its functioning, with a view to improving efficiency and quality of service.

3.1.4 Generation of wealth in 2020

201-1/201-4

ENDESA's activity as a producer and supplier of electrical energy contributes to economic and social development in the countries in which it operates.

The economic value generated and distributed by ENDESA during the 2020 and 2019 financial years was as follows:

| Generation of Wealth (Millions of euros) | | |
|--|--------|--------|
| | 2020 | 2019 |
| Direct Economic Value Generated | 17,615 | 20,184 |
| Economic Value Distributed | 16,796 | 18,445 |
| Dividends | 2,132 | 1,562 |
| Operating costs and other operating expenses | 12,791 | 15,485 |
| Personnel expenses | 1,147 | 1,022 |
| Taxes and levies ¹ | 521 | 155 |
| Investments in social development | 34 | 12.5 |
| Financial expense | 171 | 209 |
| Retained Economic Value | 819 | 1,739 |

¹Notes to the Consolidated Financial Statements for the year ended 31 December 2020.

The balance of capital grants at 31 December 2020 amounted to Euros 261 million (Euros 273 million at 31 December 2019). This figure consists mainly of grants received under the partnership agreements entered into to improve the quality of supply in the electricity distribution network with, inter alia, the Ministry for Ecological Transition (previously the Ministry of Energy, Tourism and the Digital Agenda) and public bodies of the regional governments for the construction of electricity distribution facilities.

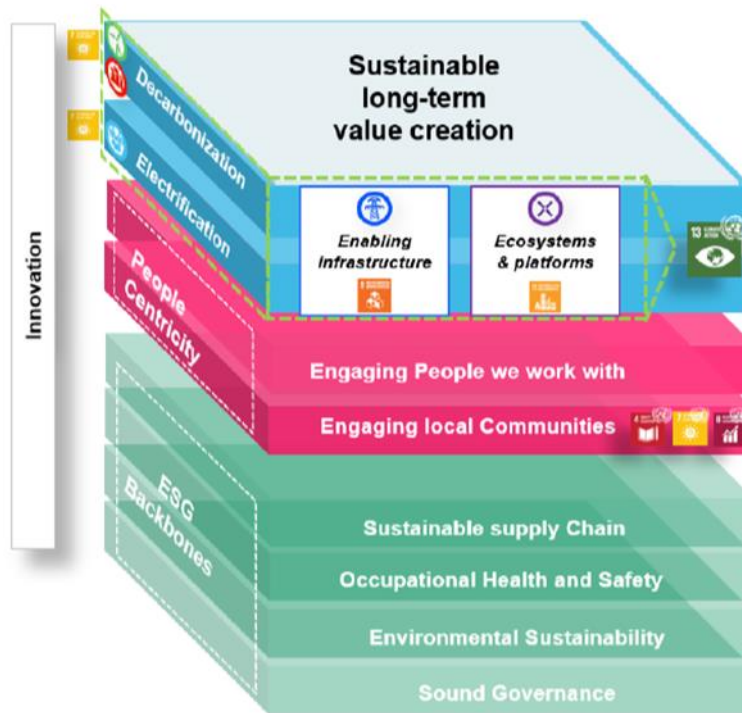
For additional information on ENDESA's economic performance, please consult the Company's Consolidated Management Report.

3.2. ENDESA's non-financial performance

Fulfilment of ENDESA's 2020-2022 Sustainability Plan

Acknowledging the importance of its stakeholders, and with a view to demonstrating the genuine nature of its efforts, ENDESA endeavours to bring together its financial and non-financial performance through its Sustainability Plan in favour of the Sustainable Development Goals, with particular emphasis on SDG 13 Climate Action, SDG 7 Affordable and Clean Energy, SDG 9 Innovation and Infrastructure and SDG 11 Sustainable Cities and Communities.

2020-2022 ENDESA Sustainability Plan



ENDESA has responded to each of the priorities and strategic pillars defined in the 2020-2022 Sustainability Plan, through more than 100 quantitative management objectives, with an overall attainment rate of more than 91%.

| | | 2020 Objective | 2020 Profit/Loss | Achievement |
|-----------------|--|-----------------------------|----------------------|-------------|
| Decarbonisation | Reduction of specific CO ₂ emissions (g/kWh) | 277 | 180 | 93% |
| | CO ₂ -free production (% of total production) | 60% | 70% | |
| | Decrease in installed fossil thermal capacity ² (MW) | 11,221 | 11,187 | |
| | Increase in renewable capacity ² (MW) | 7,893 | 7,825 | |
| | Production from renewable sources ³ (GWh) | 13,255 | 13,415 | |
| | Storage capacity installation (capacity increase in MW) | 4MW | - | |
| | Maintain high efficiency in renewable power plants | W: 94.8% H: 98.8% | W: 94.2% H: 98.5% | |
| | ISO 9001 quality certification in thermal and renewable generation assets | 100% | 100% | |
| | Investment in digitisation in power generation ⁴ assets (€ millions) | 12.02 | 18 | |
| | 2020 Circular Economy internal disclosure campaign | 1 | 1 | |
| | Inclusion of a course on the Circular Economy in ENDESA's training portfolio in 2021 | N/A (Objective for 2021) | N/A | |
| | Informative sessions per year for employees in 2020-2024 (no. of sessions) | 7 | 11 | |

| | | 2020 Objective | 2020 Profit/Loss | Achievement |
|--|---|----------------|------------------|-------------|
| | Performance of one experiential project per year in the period 2020-2024 | 1 | 1 | |
| | Second life search for assets from thermal power plants that cease operations (No. of plants) | 2 | 2 | |
| | Application of circularity criteria in the award of tender contracts (No. of criteria) | 1 | 1 | |
| | Futur-e Projects (No. of projects) | 5 | 5 | |

¹ Estimate considering the total production measured in plant bars

² Gross Installed Capacity

³ Net production

⁴ Includes thermal generation + renewable

| Line of action | | 2020 Objective | 2020 Profit/Loss | Achievement |
|--|---|----------------|------------------|-------------|
| Electrification - Enabling infrastructures | Reduction of electricity losses ¹ (% losses measured in substation busbar) | 9.39% | 9.85% | 100% |
| | Energy recovery (GWh) | 1,201 | 1,205 | |
| | Improvement of supply continuity (SAIDI ² , min) | 59.6 | 60.3 | |
| | Deployment of the remote management plan in the Low Voltage network (remote meters installed) | 12,334,269 | 12,389,380 | |
| | Installation of remote controls in the Medium Voltage network (accumulated) | 23,413 | 23,955 | |
| | SIMON Project: Technological update of the High Voltage remote control system (accumulated) | 361 | 336 | |
| | Number of new connections of renewable producers (No. of connections) | 608 | 1,687 | |
| | Power of new connections of renewable producers (GW) | 380 | 2,065 | |

¹ OS criterion

² Own + programmed TIEPI (SAIFI)

| Line of action | | 2020 Objective | 2020 Profit/Loss | Achievement |
|--|---|----------------|------------------|-------------|
| Electrification - Ecosystems and platforms | Investment in the digitalisation of assets, the customer and our people (€ millions invested) | 301.65 | 314.35 | 100% |
| | Investment in customer digitalisation (€ millions invested) ¹ | 47.88 | 60.20 | |
| | Digital customers (millions of contracts that have made a contact via digital channel) | 4.8 | 5.7 | |
| | Digital sales (% of sales of digital channels over total sales) | 10.50% | 12.20% | |
| | Promotion of electronic billing (millions of contracts) | 4.10 | 4.40 | |
| | Promotion of the virtual assistant in Care via CAT ¹ (% of interactions attended by the Virtual Assistant) | 6.00% | 9.10% | |
| | Quality: Improvement of global customer satisfaction | 7.4 | 7.4 | |
| | Number of electric vehicle charging points (Public and private use) | 36,000 by 2022 | N/A | |

¹ Includes EE + ENDESA X

| Line of action | | 2020 Objective | 2020 Profit/Loss | Achievement |
|--|--|----------------|--------------------|-------------|
| Commitment to our employees | Increase the presence of women in management ¹ positions (% women) | 18.5% | 19.7% | 91% |
| | Increase the presence of women in intermediate positions ¹ (% women) | 32.8% | 32.6% | |
| | Promotion of gender diversity in selection processes (% women) | 36% | 36% | |
| | Promotion of gender diversity in personnel recruitment (global% of women) | 38% | 32% | |
| | Professional guidance in STEM areas for women | 595 | 572 | |
| | Scope of the employee satisfaction survey (% employees) ² | 100% | 100% | |
| | Employee satisfaction | 70% | 90% | |
| | Scope of the performance evaluation processes (% employees) | 84% | 86.5% ³ | |
| | Participation in performance evaluation processes (% employees) | 99% | 99.6% ³ | |
| | Employees who have conducted a feedback interview | 93% | 75.7% ³ | |
| | Number of people included in the knowledge transfer initiatives (mentoring, age and gender) | 100 | 120 | |
| | Travel safety: Expansion of the e-Travel digital portal to add itinerary planning functions and authorisations | 100% | 100% | |
| | Launch of specific campaigns to integrate disability and make possible new cases emerge. (number of specific communications) | 2 | 2 | |
| | Promotion of in-person training to employees (hours/employee) | 38.1 | 12.5 | |
| | Promotion of online training to employees (hours/employee) | 16.0 | 30.1 | |
| | Skill enhancement and retraining programmes for employees affected by the energy transition (training hours per year/person) | 118 | 122 | |
| | Continuous learning and entrepreneurship - Dissemination of "train the trainer" approach (no. of courses given by internal instructor) | 66 | 71 | |
| | Training programme for new recruits (number of courses per person/year) | 8 | 20 | |
| | Employees participating in digital transformation training programmes (No. of employees) | 450 | 4,197 | |
| | Promotion of services that favour employees' work-life balance ⁴ (number of services) | 78 | 69 | |
| Promotion of smartworking (number of employees) | 2,410 | 6,180 | | |
| Improvement of work areas in offices (no. employees benefited) | 1,829 | 701 | | |

¹Management positions: TOP 200 + managerial level + local managers // middle managers: CGI + Agreement with staff in charge

² Biannual survey

³ 2019 performance evaluation conducted in 2020.

The data refer to the total number of services offered in the set of the 7 ENDESA headquarters, such as: financial advice, nutritionist, travel agency, vehicle rental, vehicle cleaning and repair, dry cleaning, catering, changing room, breast-feeding room, etc.

| Line of action | | 2020 Objective | 2020 Profit/Loss | Achievement |
|---------------------------------|--|-------------------------------|------------------|-------------|
| Commitment to local communities | Education (number of beneficiaries) | 52,000 | 112,365 | 94% |
| | Access to energy (number of beneficiaries) | 300,000 | 225,563 | |
| | Socio-economic development (number of beneficiaries) | 130,000 | 139,228 | |
| | Implementation of projects to create shared value for local communities (number of CSV plans under management) | > 55 CSV plans in development | 67 | |

| Line of action | | 2020 Objective | 2020 Profit/Loss | Achievement |
|--------------------------|---|----------------|------------------|-------------|
| Sustainable supply chain | Promotion of the qualification system: Volume of purchases made from qualified suppliers (% of the total) | 80% | 91% | 94% |
| | Verification of human rights aspects in the supplier qualification process (% qualified suppliers) | 100% | 100% | |
| | Verification of security aspects in the supplier rating process (% of suppliers rated) | 100% | 100% | |
| | Verification of environmental aspects in the supplier qualification process (% qualified suppliers) | 100% | 100% | |
| | Purchase volume on which performance is evaluated | 40% | 75% | |
| | Evaluation of contractor companies in social, environmental and ethical matters (% of contractor companies evaluated) | 15.00% | 8.80% | |
| | Contracts that include the K of sustainability (% of the total) | 50% | 83% | |

| Line of action | | 2020 Objective | 2020 Profit/Loss | Achievement |
|--------------------------------|---|----------------|------------------|-------------|
| Occupational Health and Safety | Reduction of fatal accidents (number of fatal accidents) | 0 | 1 | 65% |
| | Reduction of the combined accident frequency rate | 0.69 | 0.36 | |
| | Promotion of the performance of safety inspections in own and contractor facilities (number of inspections) | 70,000 | 73,547 | |
| | Promotion of ECoS (extra checking on site) (number of ECoS) | 24 | 13 | |
| | Promotion of medical examinations (number of examinations) | 6,370 | 4,400 | |

| Line of action | | 2020 Objective | 2020 Profit/Loss | Achievement |
|------------------------------|---|---|---|-------------|
| Environmental sustainability | Implementation of environmental management systems certified by ISO 14001 (% of facilities) | 100% | 100% | 83% |
| | Reduction of the environmental footprint | 11,227 | 6,098 | |
| | Emissions of SO ₂ (g/kWh _{bc}) | 0.33 | 0.17 | |
| | NOx emissions (g/kWh _{bc}) | 0.91 | 0.77 | |
| | Particle emissions (g/kWh) | 0.02 | 0.01 | |
| | Mercury emissions (mg/kWh) | 0.002 | 0.0003 | |
| | Reduction of water catchment in the electricity generation process (m ³ /MWh) | 400 | 90.69 | |
| | Promote efficiency in the management of waste generated in the electricity generation process (metric tons) | Hazardous: 8,273.5 Non-hazardous: 28,378 | Hazardous: 7,821 Non-hazardous: 23,137 | |
| | Implementation of biodiversity conservation programme (number of actions) | >20 | 26 | |

| Line of action | | 2020 Objective | 2020 Profit/Loss | Achievement |
|---|--|----------------|------------------|-------------|
| | Certification in environmental energy management and indoor air quality in offices (% of total area) | 50% | 53% | |
| | Reduction of energy consumption ¹ (% annual reduction) | 0.5% | 17.6% | |
| | Reduction of water consumption ¹ (% annual reduction) | 0.5% | 26.6% | |
| | Reduction in the generation of waste paper and cardboard ¹ (% reduction) | 0.5% | 0.5% | |
| | Reduction of the generation of single-use plastics in offices ² (% vs. 2018) | 50% | 64% | |
| | Reduction of space in all ENDESA buildings (reduction in m ²) | 8,443 | 1,252 | |
| | Reduction of CO ₂ emissions in buildings ³ | 7,472 | 4,719 | |
| | Development of actions with social function on patrimonial assets (number of actions per year) | 10 | 8 | |
| | Improve the integration of buildings in the environment (€ million invested) | 10.3 | 2.5 | |
| | Sustainable fleet management: electrification and optimisation: EVs | 230 | 185 | |
| | Sustainable fleet management: electrification and optimisation: ICE vehicles | 1,000 | 1,157 | |
| | Sustainable fleet management: electrification and optimisation: hybrids | 202 | 178 | |
| | Sustainable fleet management: electrification and optimisation: PEVs | 668 | 546 | |
| | Reduction of CO ₂ emissions in the management of ENDESA's fleets | 4,432 | 4,136 | |
| | Electrification of car parks at HQs (No of places) ⁴ | 600 | 719 | |
| | Responsible management of taxi use ⁵ : Shared taxi (% of employees) | 42% | 38% | |
| | Responsible management of taxi use ⁶ : % km travelled in ecotaxi | 75% | 72% | |
| | Promotion of the e-carsharing service (km travelled) | 60,000 | 5,645 | |
| | E-car sharing (number of employees) | 60 | N/A ⁷ | |
| | E-bike service (km travelled) | 22,000 | 4,095 | |
| Electric scooter service (km travelled) | 8,000 | 989 | | |
| Transport card (number of employees) | 860 | 831 | | |

¹ Only SIGAEC environmentally certified buildings are included

² Objective based on all the offices that are SIGAEC environmentally certified.

³ The reduction of emissions is determined by the reduction of energy consumption and of office space

⁴ The figure refers to the places that have an electric vehicle recharging system installed.

⁵ % of the total number of employees who use the taxi for their business travel.

⁶ Ecotaxis use one of the following technologies: hybrid, electric, LPG or CNG.

⁷ Service eliminated due to its low use and as a preventive measure against the pandemic

| Line of action | | 2020 Objective | 2020 Profit/Loss | Achievement |
|----------------------|--|--|------------------|-------------|
| Corporate Governance | Promotion of good corporate governance practices | Annual supervision and report to the Audit & Compliance Committee of the Penal Risk Prevention Model | Accomplished | 100% |
| | Promotion of the prevention of criminal risks: effectiveness | Annual verification of effectiveness | Accomplished | |
| | Promotion of the prevention of criminal risks: certification | Maintain certifications of criminal and anti-bribery compliance | Accomplished | |

| Line of action | | 2020 Objective | 2020 Profit/Loss | Achievement |
|----------------|---|---|--|-------------|
| | Analysis of whistleblowing reports through the ethical channel in <90 days | 100% | 100% | |
| | Maintain a high level of excellence in ethical conduct and be recognised by ISR analysts (DJSI score in "Codes of conduct") | >95% | 96% | |
| | Training in ethical conduct in the last 3 years (% employees) ¹ | 100% | 100% | |
| | Presence of women on ENDESA's Board of Directors (% of women) | 30.0% | 31% | |
| | Evaluation of the Board of Directors with the support of an independent consultant | Triennial Evaluation | N/A (Triennial evaluation conducted in 2019) | |
| | Evaluation of compliance with Human Rights. Supervision of the process, approval and monitoring of the action plan by the Audit and Compliance Committee. | Annual implementation and monitoring by the CAC | Accomplished | |
| | Recommendations and best practices in Corporate Governance | Recommendations Action Plan | Done and approved | |

¹ cumulative % of total workforce

| Line of action | | 2020 Objective | 2020 Profit/Loss | Achievement |
|------------------------------|--|----------------|------------------|-------------|
| Innovation and Cybersecurity | Promotion of collaboration with start-ups for the development of new energy solutions and the improvement of internal processes (number of collaboration projects) | 5 | 13 | 100% |
| | Promotion of the culture of innovation (number of events) | 5 | 9 | |
| | Promotion of cybersecurity in web applications exposed to the internet | 100% | 100% | |
| | Promotion of cybersecurity awareness among employees and family members (number of actions) | 15 | 16 | |

4. RISK MANAGEMENT

4.1. General Risk Management and Control Policy

The General Risk Management and Control Policy establishes the basic principles and the general framework of management and control of risks of all kinds that might affect the attainment of its objectives, ensuring that they are systematically identified, analysed, evaluated, managed and controlled within the established levels of risk. The General Risk Management and Control Policy identifies the various different types of risk, financial and non-financial, (inter alia, operational, technological, legal, social, environmental, political and reputational, including those related to corruption) that the company is exposed to, including among financial or economic risks, contingent liabilities and other off-balance sheet risks.

The General Risk Management and Control Policy seeks to guide and steer the set of strategic, organisational and operational actions that allow the Board of Directors of ENDESA, S.A. to precisely delineate the acceptable level of risk, so that the managers, staff and service functions of the various Business Lines can maximise the Company's profitability, preservation or increase of its equity and treasury and certainty of level of success, preventing uncertain and future events from having a negative influence on its ability to achievement the company's profitability objectives, its operations, sustainability, resilience or reputation in a sustained manner over time, providing an adequate level of guarantees to shareholders and safeguarding their interests, as well as those of customers and other stakeholders.

The general guidelines of the Risk Management and Control Policy are implemented and supplemented by other specific corporate risk policies for each business line, as well as by limits established for optimal risk management.

The General Risk Control and Management Policy is implemented through an Internal Risk Control and Management System (Spanish abbreviation: SCIGR), which comprises an organisation, principles, a regulatory system and a risk control and management process.

The Internal Control and Risk Management System conforms to a model based on the one hand on an ongoing study of the risk profile, applying current best practices in the energy or benchmark sectors as regards risk management, homogeneous measurement criteria within the same type of risk, segregation of risk managers and controllers, and, on the other hand, on ensuring a link between the risk assumed and the resources needed to operate the businesses, always maintaining an appropriate balance between the risk assumed and the objectives set by the Board of Directors of ENDESA, S.A.

The risk control and management model implemented in the Company is aligned with international standards based on the three lines of defence model, as described in the General Risk Management and Control Policy published on the Company website. <https://www.endesa.com/en/shareholders-and-investors/corporate-governance/corporate-policies>

The organisation of the Internal Control and Risk Management System is implemented through independent risk management and risk control functions that ensure adequate segregation of duties.

The General Risk Management and Control Policy defines the Internal Control and Risk Management System for ENDESA as an interwoven system of rules, processes, controls and reporting systems in which overall risk is defined as the total consolidated amount of all risks to which it is exposed, taking into account the mitigating effects for the different exposures and risk classes, allowing consolidation and appraisal of risk exposure of the Company's various business units and areas, as well as the development of management information for taking decisions on risk and the appropriate use of capital.

The risk control and management process consists in the identification, evaluation, monitoring and management over time of the various risks, and takes account of the main risks to which the Company is exposed, whether of internal or external origin:

The Risk Management and Control Policy set and approved by the Board of Directors of ENDESA, S.A., constitutes the central element of the system from which other specific documents and policies are derived, for example, the "Policy on Management and Control of Tax Risks" and the "Criminal Compliance and Anti-Bribery Policy", which are approved by the Board of Directors of ENDESA, S.A. and in which risk and control catalogues are defined.

In addition, in view of the growing interest in the control and management of the risks to which companies are exposed and given how complicated it is becoming to identify them from a comprehensive point of view, it is important for employees to take part at all levels in this process. In this regard a risk mailbox has been created for employees to help identify market risks and come up with suggestions for measures to mitigate them, thereby complementing the existing top-down Risk Management and Control systems and mailboxes and specific procedures for reporting breaches of ethical behaviour, criminal risks and employment risks.

4.2. ENDESA's Criminal and anti-bribery risk prevention model

Organic Law 5/2010 amending Organic Law 10/1995 of 23 November, on the Criminal Code, as subsequently amended by Organic Law 1/2019 of 20 February, established a list of crimes applicable to legal persons, referring to the need to establish surveillance and control measures for their prevention and detection. This legal regime was reformed by Organic Law 1/2015 of 30 March detailing the requirements for allowing legal persons to prove their diligence in the field of crime prevention and detection.

In accordance with the provisions of this Organic Law, ENDESA has developed certain internal rules that have satisfied the need for adequate control and management systems applied in the area of crime detection and prevention, particularly in conduct to restrict bribery.

The ENDESA Criminal and Anti-Bribery Regulatory Compliance Management System (hereafter referred to as the “Compliance System”) comprises an integrated body of provisions based on the Criminal and Anti-Bribery Compliance Policy, which complies with relevant Spanish legal requirements and meets the standards expected of Organisations operating according to the highest levels of commitment in the most advanced markets.

The main activities that are carried out in ENDESA for the effective application of the Compliance System are the evaluation of the risks and the control activities and the supervision of the same, thus guaranteeing its design and operability.

The Criminal Compliance and Anti-Bribery Policy was approved by the Board of Directors on 6 November 2017 and is additional to the General Risk Control and Management Policy; it establishes the general principles of the Compliance System, which inform the content and application of all corporate internal standards, as well as the Organisation’s actions.

The functions of verification, monitoring and updating of the Compliance System are performed by the Criminal Risk and Anti-Corruption Supervision Committee and, ultimately, the operation and compliance of the System is supervised by the Audit and Compliance Committee of the Board of Directors.

4.3. The System of Management and Control of Tax Risks

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The Audit and Compliance Committee is entrusted with the function of supervising the operation and effectiveness of the Group's risk management and control system, including tax risks. In accordance with the provisions of the Audit and Compliance Committee Regulations, it will directly supervise the Risk Committee, which is the internal body responsible for ensuring the proper functioning of the company's risk management and control systems, ensuring the participation of Senior Management in strategic risk control and management decisions and fostering a culture in which risk is a factor to be taken into account in all decisions and at all levels in the entity.

For its part, the Risk Committee also acts as the Tax Compliance Body, in charge of the functions of supervising the operation and effectiveness of the Group's Tax Risk Management and Control System, reporting for this purpose to the Audit and Compliance Committee, all in accordance with the provisions of the UNE 19602 Standard.

The scope of the Risk Committee covers all risks in the Iberian peninsula, specifically including tax risks, and excluding those already included in the Criminal Risk Prevention Model and those related to the Internal Control of Financial Reporting (ICFR), which are reported to the Audit and Compliance Committee through other channels (Oversight Committee and Transparency Committee).

The Tax Risk Management and Control model is made up of five elements that, combined, guarantee an adequate control system for risk prevention:

- Control Environment: set of standards, processes and structures that constitute the basis on which the internal control of the organisation is developed.
- Risk assessment and control activities: carried out jointly by the Risk Committee and those responsible for the processes. Each identified tax risk scenario has at least one control activity whose objective is to prevent the risk from materialising and to prevent the risks analysed from occurring.

- Supervision activities: it is continuously supervised to check whether its design and operation are adequate with respect to the requirements of the applicable regulations, analysing and resolving the identified incidents.
- Information and Communication: the necessary initiatives are promoted for the adequate dissemination and training of personnel, so that the members of the company can adequately comply with the provisions of the regulations.
- Disciplinary system: non-compliance with the measures provided in the model and with the company's rules of conduct are sanctioned by applying ENDESA's sanctioning regime contained in the company's Collective Agreement.

ENDESA's Tax Risk Management and Control Policy is intended to be the base document of ENDESA's Tax Control Framework.

It seeks to regulate the principles that must guide ENDESA's Tax Function in order to carry out proper management and control of tax risks, constructing:

- The principles that must guide the management of tax risks, establishing the obligations and responsibilities within the organisation in this regard and including a description of the measures that must exist to mitigate any tax risks that might be identified.
- The principles that must guide the correct control of tax risks, which include, on the one hand, the performance of a series of ex ante preventive controls and, on the other, the performance of a number of ex-post checks entailing the identification, measurement, analysis, monitoring and reporting of these risks in line with the provisions of ENDESA's Risk Management and Control Policy and the ENDESA Risk Map Operating Instructions.

For ENDESA, due diligence is a significant factor in the development of its business, both in relation to the control of the selection of the organisation's members (internal due diligence) and of the third parties with which it deals (external due diligence).

ENDESA has obtained AENOR certification for its Tax Management Compliance System under the UNE 19602 Standard. This new certification recognises:

- The existence of a tax control system to identify, prevent and detect tax risks in order to avoid additional tax demands, fines from and even criminal liability vis-à-vis the Tax Authority.
- The existence of control and mitigation procedures for use in the event of a tax risk.
- This certification also serves as additional proof to demonstrate to the tax authorities or the courts that our organisation is determined to comply with all its tax obligations.
- The certification is also compatible with ENDESA's tax responsibility policy and with its financial transparency and ethical compliance policy as regards its relationship with state, regional and local government agencies.

4.4. The Internal Control System for Reporting

The Internal Control System for Reporting is a component of the company's internal control system and consists of a set of complete processes that provide reasonable assurance as to the reliability of both internal and external information. ENDESA's Internal Control Unit is the area

responsible for identifying the most relevant processes, activities, risks and controls of the Internal Control System for Reporting that it considers material to provide reasonable assurance that the information disclosed externally by ENDESA is reliable and appropriate.

Every six months, ENDESA carries out an Evaluation Process of the Internal Control System for Reporting in which each person responsible for the controls evaluates both their design and their effectiveness. Within the model, an ongoing verification process is also carried out by an independent expert. The results of both processes are reported:

- To the Board of Directors, to which in accordance with the Corporate Enterprises Act the power of supervision of internal information and control systems is reserved, and
- to the Audit and Compliance Committee, which, in accordance with the Corporate Enterprises Act has among its functions the supervision of the effectiveness of the internal control of the Company.

4.5. Risk Management and Control.

ENDESA has established a process of management and control of risks that allows it to obtain a complete vision of all the risks to which it is exposed, considering the mitigation effects between the different exposures and categories thereof, as well as the preparation of the corresponding management information for decision-making in terms of risk and appropriate use of capital.

The Risk Committee supervises the management and monitoring of all risks, specifically including tax risks and excluding those of a criminal nature and those related to internal control and financial reporting, referring the results of its deliberations and conclusions to the Audit and Compliance Committee of the Board of Directors of ENDESA S.A.

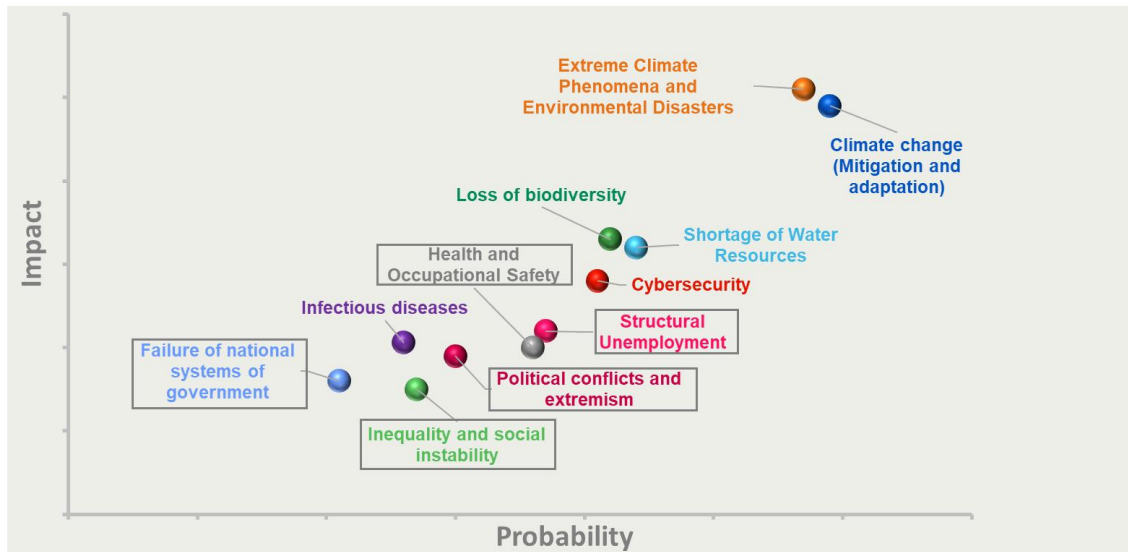
Risk Control is the area delegated by the Risk Committee to define the procedures and norms of the internal control and risk management system, to ensure that all the risks are homogeneously and periodically identified, characterised, quantified and properly managed in the area of responsibility that affects the entity, including off-balance sheet, monitoring risk exposure and the control activities implemented. To carry out its functions, Risk Control relies on other areas and committees that have specific and complementary risk control and management models and policies.

4.6. Main sustainability risks

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In the context of sustainability, ENDESA must consider the different types of risk in terms of its financial and non-financial work in relation to their operational, technological, legal, social, environmental, political and reputational impacts that characterise both the Company and its environment.

The methodology used by ENDESA is based on an annual identification of emerging risks with medium and long-term impact in order to analyse, control and prevent the possible repercussions that the business may suffer. To this end, ENDESA has taken as a reference the identification of global risks prepared by the World Economic Forum based on a consultation with 1,000 experts from the business world, university, civil society and public sector on the perception of global risks in a time horizon of 10 years. In this way, a risk map is obtained adjusted to the characteristics and needs of the stakeholders in the framework of the materiality study, highlighting the most significant sustainability risks; and Human Rights Due Diligence to identify risks in the operating context. This analysis is complemented by that of the Company's exposure to each of the risks carried out taking into account the analyses of MSCI and Sustainabilitycs.



102-15/201-2

| Risk | Description | Potential Impact on ENDESA | Main Management and Mitigation Measures |
|---|---|--|--|
| Extreme Climate Phenomena and Environmental Disasters | Climate change is generating associated phenomena such as the increasing occurrence and intensity of adverse weather events (floods, storms, tornadoes, etc.). | Incidents in distribution networks and generation plants motivated by the occurrence of adverse meteorological phenomena. | <p>ENDESA has established a roadmap towards the Decarbonisation of its energy mix by 2050 that sets intermediate targets for reducing CO₂ emissions. This roadmap is supported by a clear commitment to renewable energy and the optimisation of thermal generation assets during the transition. With the new Strategic Plan 2021-2023, this commitment to decarbonisation has been reinforced, announcing a reduction in specific Scope 1 emissions more ambitious than that published in the previous Plan and which translates into an emission reduction of approximately 80% by 2030. All this supported by the total closure of coal before 2030 and complying with the commitment to stop mainland coal activity in 2021. This same Plan calls for an increase in the period 2021-2023 of approximately 50% in installed renewable capacity, thus reinforcing the portfolio of projects for growth and value creation.</p> <p>An adaptation project has been carried out that includes both the assessment of internal vulnerability and the evaluation of future benefits and opportunities. The conclusions of the aforementioned project show that the risks to which the business lines would be subjected are classified as low and very low and are also expected to materialise slowly and in the future. For more details on the risks associated with Climate Change, please refer to the Decarbonisation chapter.</p> |
| | Apart from this, a greater incidence of environmental disasters caused by nature itself (tsunamis, earthquakes, etc.), or by humans (industrial discharges, air and/or radioactive pollution, etc.) has a considerable impact on business activity. | Environmental sanctions deriving from possible environmental disasters brought about by the operation of power plants or the distribution network (fires, radioactive emissions). | |
| Climate change (Mitigation and adaptation) | The measures that are being taken in the fight against climate change by States and the business sector may be insufficient for mitigation and adaptation. | Increase in regulatory pressure to accelerate the transition to an energy mix free of GHG emissions (increased production cost overruns based on fossil fuels). Increase in the demands by investors regarding the management of the impact of the different climate change scenarios. | <p>ENDESA has environmental management systems for all its generation and distribution assets, certified by ISO 14001 and aimed at promoting excellence in environmental management and going beyond the requirements established in environmental legislation.</p> <p>The Company also participates actively and continuously over time both in national and international initiatives and in the development of studies and projects in order to deepen the evaluation of the impacts of climate change on the infrastructure elements that allow it to establish adaptation measures to minimise risks. Vulnerability studies are carried out, through which the exposure of its assets to the effects of climate change is evaluated, allowing the adoption of mitigation measures.</p> <p>Additionally, it prepares its facilities for possible eventualities derived from extreme climatic phenomena and environmental catastrophes. In this regard, among other</p> |

| Risk | Description | Potential Impact on ENDESA | Main Management and Mitigation Measures |
|---|---|--|--|
| | | | <p>actions, in 2018 the deployment of emergency plans for hydroelectric dams was completed.</p> <p>ENDESA monitors its carbon footprint and maintains strict compliance with the emission limit values.</p> <p>ENDESA has environmental liability and civil liability insurance to deal with potential breaches of environmental regulations and cover claims arising from damage to third parties.</p> |
| <p>Loss of biodiversity</p> | <p>Due to the increased demographic pressure and human activity, characterised by high consumption of natural resources, a loss of the biodiversity of ecosystems is being produced.</p> | <p>Increased environmental requirements for the development of new generation and distribution projects.</p> | <p>ENDESA within its Biodiversity Conservation Plan, develops projects for the protection, conservation and enhancement of Biodiversity, promotes the increase of its scientific knowledge, seeks synergies that help its conservation and develops tools that help to understand the interaction of biodiversity with the activity it develops.</p> <p>For more information, see the chapter on Environmental Sustainability, section 3. Conservation of Biodiversity</p> |
| <p>Shortage of Water Resources</p> | <p>The demographic explosion and the consumption patterns of today's society entails a greater pressure on those natural resources that have to supply the needs of the population, especially water.</p> | <p>Restrictions on the use or availability of water for electricity generation.</p> | <p>ENDESA incorporates into its environmental management systems actions aimed at promoting efficiency in the consumption of water resources.</p> |
| <p>Cybersecurity</p> | <p>The digital transformation entails greater exposure to potential cyber attacks that may jeopardise the security of computer systems and databases with sensitive information.</p> | <p>Economic losses and reputational impacts (loss of trust on the part of society) that arise in the event that ENDESA's information systems are affected by a cyberattack. The company's critical infrastructure may also be exposed to such attacks, which could have a serious impact on the essential services they provide (e.g. nuclear power plants). The danger of fraudulent impersonation in the commercial activity is increasing and it is necessary to take the security measures and protection of the personal data of the customers.</p> | <p>ENDESA has a cybersecurity strategy that is aligned with international standards and government initiatives. As part of this strategy ENDESA carries out a process of evaluation of the main risks and identification of vulnerabilities, as well as an exhaustive digital surveillance through which it analyses the information and implements corrective actions to mitigate risks. Additionally, it deploys training and awareness actions in the use of digital technologies among its employees, both in the professional and private spheres, with a view to changing people's behaviour and reducing the risks.</p> <p>In its assets, ENDESA executes cyber exercises involving a plant or industrial facilities.</p> |

| Risk | Description | Potential Impact on ENDESA | Main Management and Mitigation Measures |
|---------------------------------------|--|--|---|
| Structural Unemployment | <p>Different factors such as population growth, the impact of automation, cyclical economic crises, the seasonality of employment or the lack of adaptation of the industrial fabric to the new competitive conditions determine that high levels of unemployment are continuously maintained.</p> | <p>Less economic activity, which leads to lower demand for energy and value-added products and services and a greater volume of customers in vulnerable economic situations, with difficulties in paying the electricity bill. Furthermore, the transformations of the energy sector, characterised by a strong technological impulse, require the presence of new profiles, as well as a significant cultural and organisational change. In the short term, this risk may be accentuated by the appearance of pandemics</p> | <p>ENDESA has a fair transition plan through a methodology for creating shared value in the environment of its local operations where employment for its workers is guaranteed. To this end ENDESA promotes and plans capacity improvement and recycling programmes for employees affected by the energy transition</p> <p>Investment in ENDESA's social projects in 2020 increased by 250% compared with the previous year, due to the extraordinary budget of the Public Responsibility Plan for COVID, endowed with Euros 25 million. For more information see section 2.3. ENDESA's plan for the health emergency in the chapter Commitment to sustainability.</p> <p>In addition, ENDESA transfers sustainability to its supply chain by prioritising those suppliers that incorporate sustainability criteria into their tenders, one of these criteria being that the supplier/contractor employ local workers.</p> <p>ENDESA establishes agreements with the Public Administration to avoid cutting off the supply of vulnerable customers and thus reduce the risks of non-payment and also has a series of rates according to the economic situation of the different groups (PVPC, Sale Price for Small Consumer) as well as the "social bonus" (subsidised rate) for vulnerable households.</p> |
| Infectious diseases | <p>Bacteria, viruses, parasites, or fungi that cause the uncontrolled spread of infectious diseases (for example, as a result of resistance to antibiotics, antivirals, and other treatments) leading to widespread deaths and economic disruption.</p> | <p>Risk of incurring economic or financial losses and damage to reputation due to a partial or total interruption of operations, deriving from technical failures, malfunction of assets and plants, human error, the lack of availability of raw materials or any emerging infectious disease that has epidemic or pandemic potential that could limit the regular operation of activities or its supply chain. Furthermore, as a consequence of the Group's global presence and the globalisation of the company, employees and contractors could be exposed to risks related to emerging infectious diseases of an epidemic and potentially pandemic nature, which could have an impact on their health and well-being.</p> | <p>ENDESA has a global action plan against COVID-19 that includes measures to help fight the spread of the virus, ensure electricity supply, provide facilities to its customers and take care of its employees.</p> <p>The aid plan that the Company launched provided Euros 25 million, which in a first phase was used to alleviate immediate and urgent needs at the country level and which was later transferred to its customers and employees.</p> <p>For more information see section 2.3. ENDESA's plan for the health emergency in the chapter Commitment to sustainability.</p> |
| Health and Occupational Safety | <p>Occupational health and safety aspects are critical. The type of industrial activity carried out can determine a greater exposure to this type of risk</p> | <p>Occurrence of accidents with an impact on the health of workers. This risk may be accentuated in the short term by the influence of the appearance of pandemics.</p> | <p>Occupational Health and Safety is an absolute priority for ENDESA, as reflected in the Materiality analysis each year. Extending the priority from its own personnel to those of subcontractors, this issue is closely followed by Senior Management, which meets at least monthly to analyse trends in the indicators and take appropriate measures in the event of any deviations. Performance in this area is one of the indicators that determines the variable remuneration of Senior Management.</p> <p>ENDESA has a management policy and associated procedures such as the ENDESA and Business Occupational Health and Safety Management System and its corresponding Operating Rules in Technical Instructions.</p> <p>In addition, Strategic Health and Safety Plans have been established in the medium term with annual renewals or as a result of an abnormal concentration of accident rate.</p> <p>Within ENDESA, as stipulated by Law 31/1995 on Occupational Risk Prevention and regulations that develops it, the prevention and protection service has been organised with the "JOINT PREVENTION SERVICE" figure with a series of tasks to be developed.</p> |

| Risk | Description | Potential Impact on ENDESA | Main Management and Mitigation Measures |
|--|---|---|---|
| | | | For more details, you can consult the Occupational Health and Safety chapter of this report. |
| Political conflicts and extremism | The geopolitical situation in certain countries, political polarisation and extremist religious movements are causing an increase in terrorist attacks in developed countries. | Increase of the risk on the security of infrastructures in general and with greater intensity in the critical infrastructures that can potentially be the object of terrorist attacks, such as nuclear power plants and reduction of income due to the economic slowdown derived from the uncertainty generated by political polarisation. | ENDESA has security policies that guarantee the implementation of the physical, technical and organisational measures necessary for the protection of people, infrastructure and information systems, in line with the identified risks and the threat assessment; all in accordance with private security regulations and in compliance with the legal and regulatory provisions related to the protection of critical infrastructure and essential services, and in permanent cooperation with the competent authorities in matters of public safety. |
| Failure of national systems of government | Political instability, crisis management, certain social situations or the existence of corruption all constitute obstacles to economic development, representing greater unpredictability and risk for the development of economic activity | Greater difficulty in developing the activity, impact on the general perception of country risk that may affect access to financing. This risk may be accentuated in the short term by the influence of the appearance of pandemics. | The management and mitigation measures for this risk are described in point 2 of this section and in greater detail in the section Fight against corruption and bribery of this document. |
| Inequality and social instability | <p>There is a worldwide increase in inequality that, in the case of Spain and Portugal, is accentuated by high levels of unemployment.</p> <p>Likewise, the social instability caused by the lack of leadership and the weakness of representative democracy, together with people's increasing ability to organise themselves and make increased demands of governments and companies, are contributing to a strengthening of civil society.</p> | <p>Social instability and the strengthening of civil society are causing further questioning of the activities of companies, which need to increase the intensity of their communication with society and develop more participatory relationship models with society based on the creation of shared value.</p> <p>This risk may be affected in the short term by the impact of the appearance of pandemics.</p> | <p>By means of its methodology for creating shared value in the surroundings of its local operations, ENDESA ensures that it produces a positive impact on local communities, contributing to respond to the challenges that these communities face, which include unemployment and inequality and the ensuing social instability.</p> <p>Additionally, it is developing various actions to facilitate access to energy for vulnerable groups.</p> <p>ENDESA has signed 273 agreements that are in force, with another three in process of negotiation. Seven of them are with Autonomous Regions and seven with Federations of Municipalities. It maintains contact with 537 municipalities.</p> |

5. MATERIALITY STUDY

5.1. Process of identifying priority issues

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Continuous dialogue with Stakeholders makes it possible to identify and evaluate expectations correlated with the economic, ethical, environmental and social priorities for the Company and the business strategy in the annual materiality study.

Through a methodology developed around standards such as the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), AA1000APS and the SDG Compass, the corresponding results are presented throughout this point.



5.1.1. Identification of stakeholders

102-40/102-42

ENDESA, through the participation of all the Company's units, annually conducts a review, identification and cataloguing of the Company's stakeholders to ensure that all those that are relevant are being considered.

The stakeholders identified in this process are the following:

| Level I | Level II | Level III |
|--------------------|-------------------------------------|----------------------------------|
| Business community | Companies/Competitors | Local Businesses |
| | | Multinationals/Foreign companies |
| | | National Companies |
| | | Public enterprises |
| | Unions | Local unions |
| | | National unions |
| | | Transnational unions |
| | Trade and professional associations | Local trade associations |
| | | National trade associations |
| | | Professional associations |
| | | Transnational trade associations |
| | Business associations | Local partners |
| | | National partners |
| | | Global partners |

| Level I | Level II | Level III |
|--|--|--|
| Civil society and local communities | Citizens/Public opinion | International public opinion |
| | | Owners |
| | | Local citizens and public opinion |
| | | National citizens and public opinion |
| | | Disadvantaged groups and minorities |
| | Educational and research institutions | Primary and secondary school |
| | | University, technical and research institutions |
| | Environmental NGOs and interest groups | International environmental NGOs and interest groups |
| | | Local environmental NGOs and interest groups |
| | | National environmental NGOs and interest groups |
| | Foundations and voluntary associations | International voluntary foundations and associations |
| | | Local voluntary foundations and associations |
| | | National voluntary foundations and associations |
| | NGOs and interest groups other than environmental | International NGOs and interest groups other than environmental |
| | | Local NGOs and interest groups other than environmental |
| | | National NGOs and interest groups other than environmental |
| | Sustainable development networks | Networks that develop sustainability in other areas |
| | | Networks that develop sustainability in the area in which the Company operates |
| Opinion leaders | International opinion leaders | |
| | Local opinion leaders | |
| | National opinion leaders | |
| Religious institutions | International religious institutions | |
| | Local religious institutions | |
| | National religious institutions | |
| Customers | Consumer associations | Consumer associations |
| | End customers of the electricity market | Business end customers of the electricity market |
| | | Residential end customers of the electricity market |
| | End customers of the gas market | Business end customers of the gas market |
| | | Residential end customers of the gas market |
| Potential customers | Business Potential End Customers | |
| | Residential Potential End Customers | |
| Financial community | Rating agencies and financial analysts | National rating agencies |
| | | International rating agencies |
| | Investors | Institutional investors (incl. SRIs) |
| | | Retail investors |
| | Financial institutions and related government agencies | Banks |
| | | Institutional shareholders |
| | | Other financial institutions |
| Public financial institutions | | |
| Retail bond holders | | |
| Governing bodies | | |
| Institutions | Control authorities and bodies | Local and regional authorities and control bodies |
| | | National authorities and regulators |
| | | Transnational authorities and regulators |
| | Government institutions | Local government |
| | | National government |
| | | Regional government |
| | | Transnational government institutions |
| | | Transnational multinational institutions |
| | Law enforcement | Local law enforcement agencies |
| | | National law enforcement agencies |
| | Political parties | Supranational / Federal Law Enforcement Agencies |
| | | Political parties |

| Level I | Level II | Level III |
|----------------------------------|-------------------------------------|---|
| Media | Traditional media | Traditional media reaching international audience |
| | | Traditional media reaching local audiences in areas of interest |
| | | Traditional media reaching national audience |
| | Digital and social media | Social network |
| | | National digital media related to local and national affairs |
| | | International digital media related to local and national affairs |
| Our people | Employees | Blue-collar employees |
| | | Scholarships and temporary workers |
| | | Intermediate positions |
| | | Senior positions |
| | | White-collar employees |
| | Union representatives | Union delegates |
| | | Works councils |
| Suppliers and contractors | Contractors | Local contractors |
| | | Multinational contractors |
| | | National contractors |
| | Fuel suppliers | Local fuel suppliers |
| | | Multinational fuel suppliers |
| | | National fuel suppliers |
| | Potential suppliers and contractors | Potential suppliers and contractors |
| | Goods and services suppliers | Local suppliers |
| | | Multinational suppliers |
| | | National suppliers |

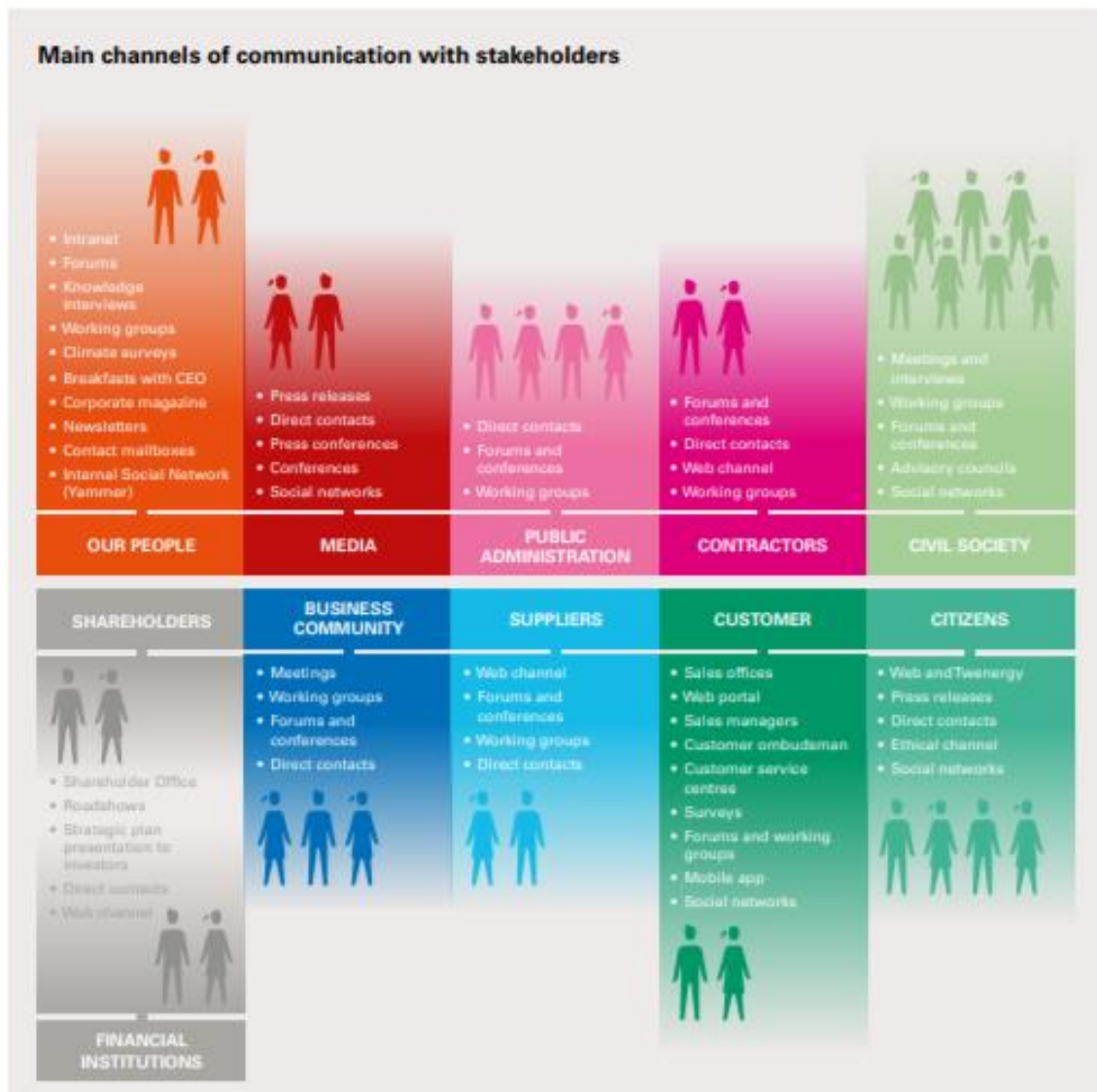
5.1.2. ENDESA's communication channels with its stakeholders

102-43

ENDESA's typical communication channels and procedures for acquiring solid knowledge of the evolution of stakeholder conditions have been:

| Stakeholder | Main Communication Channels |
|---|--|
| Public Administration | Direct contacts |
| | Forums and conferences |
| | Working groups |
| Shareholders and Financial Institutions | CNMV |
| | Corporate website |
| | Investor Relations Department: Roadshows, Quarterly Results Presentations and Strategic Plan |
| | Shareholder Office |
| | General Shareholders' Meeting |
| | Communications with proxy advisors |
| Customers | Sales offices |
| | Sales managers |
| | Web channel |
| | Customer service centres |
| | Forums and Working Groups |
| | Mobile app |
| | Social media |
| Business Community | Direct contacts |
| | Meetings and working groups |
| | Forums and conferences |
| Media | Direct contacts |
| | Press conferences |
| | Forums and Conferences |

| Stakeholder | Main Communication Channels |
|---------------------------|--------------------------------------|
| | Social media |
| Our People | Intranet and internal social network |
| | Forums and working groups |
| | Knowledge interviews |
| | Breakfasts with the CEO |
| | Contact mailboxes |
| | Corporate magazine and newsletters |
| Civil Society | Direct contacts |
| | Working groups |
| | Forums and conferences |
| | Web channel |
| | Web and Twenergy |
| | Social media |
| | Ethical channel |
| | Sustainability Mailbox |
| Suppliers and Contractors | Direct contacts |
| | Web channel |
| | Committees |
| | Forums and conferences |
| | Working groups |

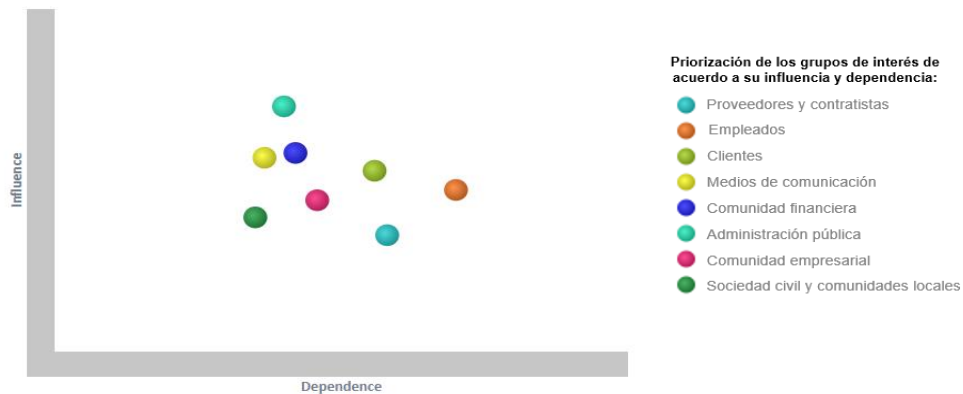


5.1.3. Prioritisation of stakeholders

102-42

This prioritisation is carried out according to three variables: the level of dependence on the activity of the company, the ability to influence the decision-making process of the company and the level of special and immediate attention required by the stakeholder. This analysis in 2020 maintains that public institutions, investors and customers are the stakeholders with the greatest capacity to influence the Company, while employees are those with the highest degree of dependence. It also includes the media that did not appear in 2019.

This methodology is also applied in the local operations of the company in order to increase the level of detail, thus seeking to identify relevant local stakeholders that allow designing effective responses under the approach of creating shared value between the company and the stakeholders.



5.2 Material aspects

5.2.1. Materiality study

102-46

The 2020 materiality study, as the basis for defining the priorities of the 2021-2023 Sustainability Plan, has been carried out around:

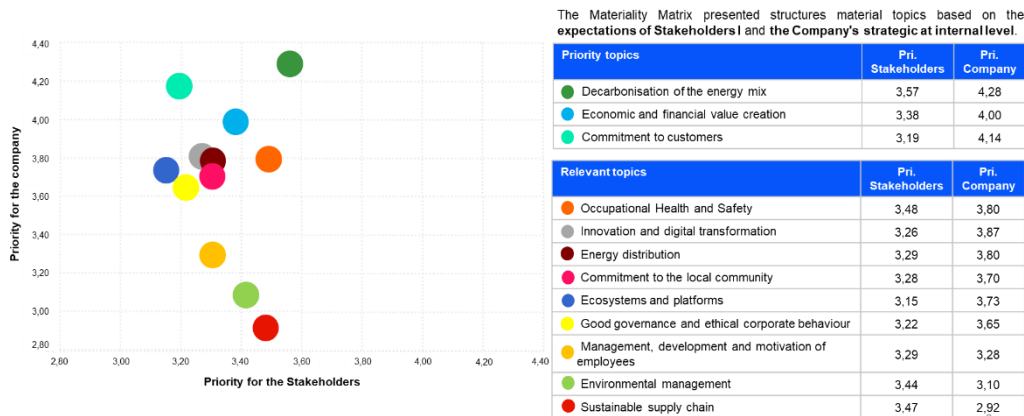
- Analysis of trends in the field of energy and sustainability with possible current or future effect on the activity of the Company.
- Analysis of investors, proxy advisors and investment analysts on sustainability issues.
- Review of the assigned relevance and the degree of maturity of the issues in the management of the main companies in the electricity sector.
- Analysis of media and social networks.
- Online consultations and in-depth telephone interviews with different internal and external stakeholder groups.
- In-depth interviews with ENDESA Senior Management.
- Analysis of existing reports that incorporate issues related to the Company's sustainability.

5.2.2. Results of the materiality study

102-47/102-15

5.2.2.1. Priorities for the company and stakeholders

From the combined analysis of the relevance in the business strategy and the priority for the stakeholders of each of the topics, the result is the following matrix:



| Business and Governance Affairs | Social Affairs | Environmental Issues |
|---|---|--------------------------|
| Decarbonisation of the energy mix | Occupational Health and Safety | Environmental management |
| Economic and financial value creation | | |
| Commitment to customers | Commitment to the local community | |
| Innovation and digital transformation | Management, development and motivation of employees | |
| Energy distribution | | |
| Ecosystems and platforms | Sustainable supply chain | |
| Good governance and ethical corporate behaviour | | |

As the foregoing matrix shows, among the most significant issues for the sustainability of the company and with few changes relative to the previous year, the decarbonisation of the energy mix, the creation of economic and financial value and the commitment to the customer appear.

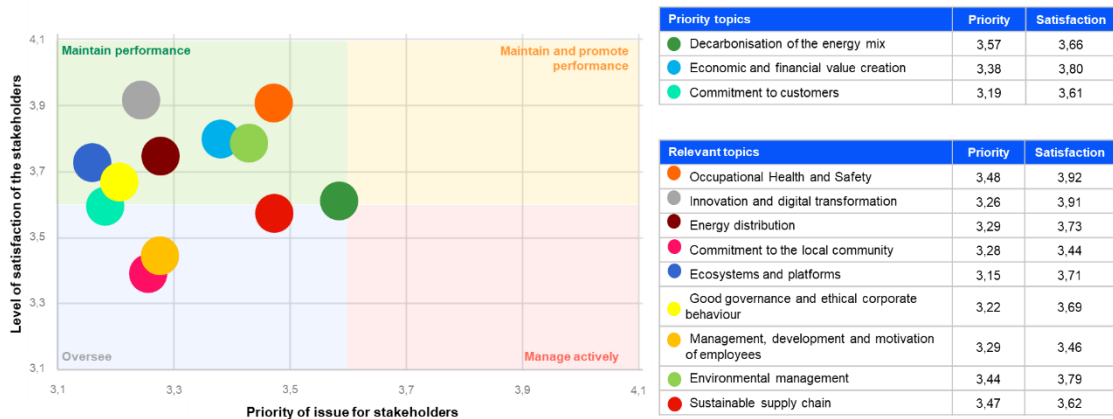
The decarbonisation of the economy and the greater integration of renewable energy sources is shown to be the most relevant issue for the Company's stakeholders with a special focus on the expansion and management of renewables. Stakeholders acknowledge ENDESA's efforts to progressively reduce traditional energy sources and its commitment to a just and orderly transition.

ENDESA, aware of its role in this regard and its ability to contribute to achieving a low-carbon economy, continues in its commitment to the progressive reduction of GHG emissions associated with the generation of electricity, proof of this being the newly updated version of the Strategic Plan 2021-2023 (for more information on ENDESA's Strategic Plan see point 6.2. Strategic Lines of Action in the 2020 Consolidated Management Report) where ENDESA announces a reduction of specific Scope 1 emissions of 80% by 2030 and maintaining a complete decarbonisation of the energy mix in 2050.

5.2.2.2. Stakeholders' satisfaction

102-15

In its 2020 materiality study, ENDESA analysed the level of satisfaction of stakeholders with respect to the various sustainability issues. The results are shown in the graph hereunder:



Based on the consultation made to the Company's stakeholders, among the aspects that ENDESA should manage more actively, the decarbonisation of the energy mix and the sustainable supply chain stand out. The Commitment to the local community and Management, development and motivation of employees are also aspects that the Company must continue to monitor, and that is why through ENDESA's Sustainability Plan 2021-2023 the Company intends to meet their expectations.

5.2.2.3. Priority issues and satisfaction for each stakeholder group

102-44

The level of priority that each stakeholder group grants to each of the sustainability issues analysed during the consultation process carried out in the framework of the materiality study is detailed below:

| Asunto | Grupo de Interés | Grupos de Interés | | | | | | | |
|---|------------------|-----------------------|---------|----------------------|---------------|-----------------------|--------|-----------|----------------------------|
| | | Comunidad Empresarial | Cientes | Comunidad Financiera | Instituciones | Sociedad Civil y CCLL | Medios | Empleados | Proveedores y Contratistas |
| Creación de valor económico y financiero | | | | | | | | | |
| Buen gobierno y conducta corporativa equitativa | | | | | | | | | |
| Compromiso con el cliente | | | | | | | | | |
| Nuevas tecnologías y soluciones | | | | | | | | | |
| Innovación y transformación digital | | | | | | | | | |
| Distribución de la energía | | | | | | | | | |
| Descarbonización del mix energético | | | | | | | | | |
| Gestión medioambiental | | | | | | | | | |
| Gestión, motivación y desarrollo de los empleados | | | | | | | | | |
| Salud y Seguridad laboral | | | | | | | | | |
| Cadena de suministro sostenible | | | | | | | | | |
| Compromiso con la comunidad local | | | | | | | | | |

Valores de prioridad de 3,8 a 5,0
 Valores de prioridad de 2,6 a 3,8
 Valores de prioridad 1,4 a 2,6

102-15

Likewise, the degree of satisfaction of each stakeholder group with ENDESA for each of the sustainability issues evaluated is detailed below:

| Grupo de Interés | Comunidad Empresarial | Clientes | Comunidad Financiera | Instituciones | Sociedad Civil y CCLL | Medios | Empleados | Proveedores y Contratistas |
|---|-----------------------|----------|----------------------|---------------|-----------------------|--------|-----------|----------------------------|
| Creación de valor económico y financiero | | | | N/A | | | | |
| Buen gobierno y conducta corporativa equitativa | | | | N/A | | | | |
| Compromiso con el cliente | | | | N/A | | | | |
| Nuevas tecnologías y soluciones | | | | N/A | | | | |
| Innovación y transformación digital | | | | N/A | | | | |
| Distribución de la energía | | | | N/A | | | | |
| Descarbonización del mix energético | | | | N/A | | | | |
| Gestión medioambiental | | | | N/A | | | | |
| Gestión, motivación y desarrollo de los empleados | | | | N/A | | | | |
| Salud y Seguridad laboral | | | | N/A | | | | |
| Cadena de suministro sostenible | | | | N/A | | | | |
| Compromiso con la comunidad local | | | | N/A | | | | |

N/A El asunto material no ha sido evaluado por el Gdl

Valores de prioridad de 3,8 a 5,0

Valores de prioridad de 2,6 a 3,8

Valores de prioridad 1,4 a 2,6

Depending on the degree of importance and satisfaction indicated by each stakeholder group, ENDESA incorporates these results into its planning process and sets objectives and actions aimed at continuing to improve its performance on the various sustainability issues analysed, in order to successfully respond to the expectations of its stakeholders.

5.2.2.4. Areas of action to promote a sustainable business model

102-15

The priorities of the stakeholder groups together with the sector and business model envisaged by ENDESA give rise to the following areas of action:

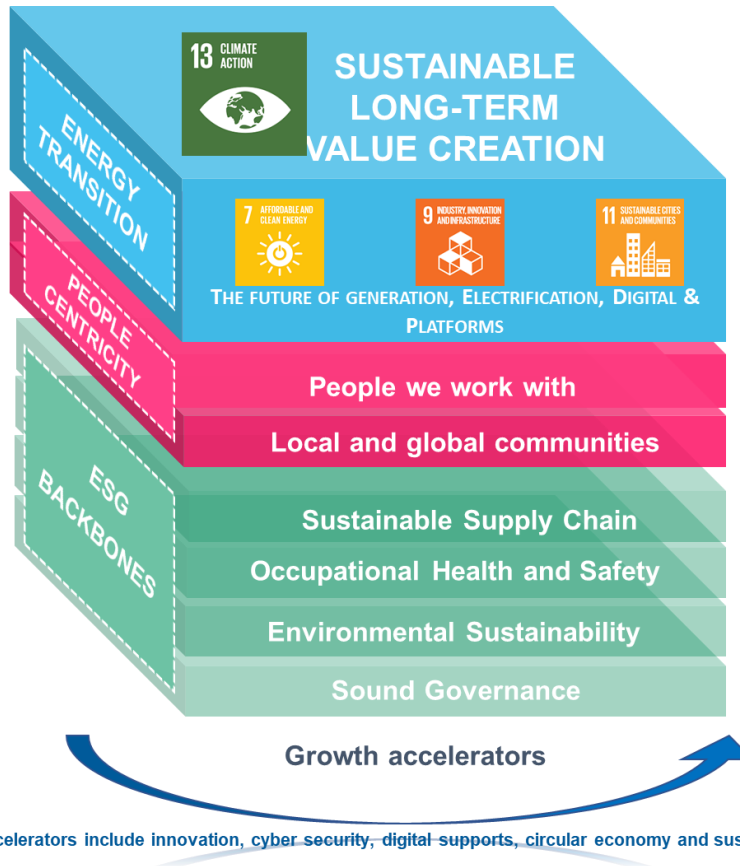
- Sector response to climate change: ENDESA forms part of the drive to boost renewable energy and progressively reduce the use of fossil fuels in the energy mix.
- Value creation models for the new energy scenario: based on the digitisation of the distribution and supply of its services, with great interest in the field of renewables, energy efficiency, mobility and digital services.
- Reinforcement of social legitimacy: through the improvement of the traditional social perception and the implementation of a shared value creation model in all phases of the life cycle of the company's operations.
- Responsible business management: ENDESA, aware of its role in environmental, social and governance matters as key factors to distinguish itself as a responsible company, continues to invest in aspects related to human rights, human capital, occupational health and safety, environmental management, cybersecurity and sustainability throughout its supply chain.

According to the stakeholders consulted, the value creation of the company must be based on a set of requirements necessary to operate and incorporate a set of elements aimed at generating future value for the business, based on the promotion of an emission-free energy model by 2050 and through the continuous commitment to the development of highly qualified human capital.

6. ENDESA's 2021-2023 SUSTAINABILITY PLAN

102-15

6.1. Structure of the new 2021-2023 ENDESA Sustainability Plan



ENDESA's 2021-2023 Sustainability Plan continues with the creation of long-term value, based on the following strategic priorities as the foundations of its objectives:

Energy transition

In line with the new Strategic Plan (for more information on ENDESA's Strategic Plan see point 6.2. Strategic Lines of Action in the 2020 Consolidated Management Report), the priorities relating to climate action continue to focus on the decarbonisation of the energy mix in order to meet the final objectives of being a company free of CO₂ emissions by 2050 and reducing by 2030, according to the latest update, 80% of Scope 1 specific emissions compared with 2017. The replacement of the technologies that emit the most, thanks to investment in renewables and the circular economy, are the bases of ENDESA's future.

Another strategic line is the electrification of demand. Through active customer management with innovative products and services, the development of efficient networks and the presentation of new products, with objectives for ENDESA such as the installation of charging points for private and public use or the promotion of the virtual assistant in telephone attention. For this, it has: the promotion of efficiency and quality in the management of assets, the promotion of sustainable mobility, the attraction of talent and collaboration for the development of new business solutions that promote sustainability and cybersecurity.

All of the above is possible thanks to investment and development in digitisation and platforms.

Focusing on people

- **People we work with:** in accordance with the needs of its employees, ENDESA promotes their level of satisfaction, diversity and inclusion, the development of talent, and work-life balance. In turn, those positions affected by the energy transition have specific objectives to mitigate the consequences that this change of model may have.
- **Global and local communities:** through a shared value creation model the sustainability of which is centred on promoting energy access, socio-economic development and education as fundamental axes of its commitment.

ESG Pillars:

- **Sustainable Supply Chain:** ENDESA's current behaviour is based on lines of action to continue with the management of control and supervision systems of the supply chain in accordance with the best environmental, safety and human rights criteria. In addition, it promotes sustainability criteria in bidding procedures with its various suppliers.
- **Occupational health & safety:** The Strategic Plan calls for a further reduction in accidents among employees and contractors, as well as the promotion of adequate control of safety through inspections and medical examinations.
- **Environmental sustainability:** ENDESA's Environmental Footprint continues to decrease according to the main environmental indicators and the conservation of biodiversity. In addition, its environmental management incorporates objectives and solutions to continue with the reduction of emissions among the fleets.
- **Good governance:** Compliance with the Company's ethical commitments and responsibilities, the implementation of good practices in corporate governance and the promotion of transparency in relations and communications with all its stakeholders continue to be very present in this new Strategic Plan 2021-2023.

102-15

The objectives defined in the new Sustainability Plan for the period 2021-2023 are detailed below:

| Line of action | | Closing 2020 | 2021 Objective | 2023 Objective |
|----------------------|---|----------------------|--|----------------|
| Future of generation | Specific Scope 1 GHG emissions (gCO2eq/kWh) | 183 | <150 by 2023 | |
| | CO ₂ -free production (% of total production) | 70% | ~75% by 2023 | |
| | Installed renewable capacity ² (MW) | 7,825 | 11,592 MW at the end of the 2021-2023 period | |
| | Production from renewable sources ³ (TWh) | 13.4 | 13.9 | 21.0 |
| | Peninsular renewable capacity vs. total peninsular capacity ⁴ (%) (NEW) | 45% | 54% | 62% |
| | Decrease in installed fossil thermal capacity ⁵ (GW) | 11.2 | ~3 GW in the period 2021-2023 vs. 2020 | |
| | Investment in digitisation in power generation ⁶ assets (€ millions) | 18 | ~ 34 M€ in the period 2021-2023 | |
| | Storage capacity installation (capacity increase in MW) | - | 277 MW in the period 2021-2023 | |
| | Maintain high efficiency in renewable power plants | W: 94.2% H: 98.5% | 94.8% in wind power in 2021-2023 98.8% in hydraulics in 2021-2023 | |
| | ISO 9001 quality certification in thermal and renewable generation assets | 100% | Maintain 100% in the period 2021-2023 | |

¹ Estimate considering the total production measured in plant bars

² Cumulative gross installed capacity

³ Net production

| Line of action | Closing 2020 | 2021 Objective | 2023 Objective |
|----------------|--------------|----------------|----------------|
|----------------|--------------|----------------|----------------|

⁴ Net capacity

⁵ Gross Installed Capacity

⁶ Includes thermal + renewable

| Line of action | Closing 2020 | 2021 Objective | 2023 Objective | |
|--|---|-----------------------------|--|--------|
| Electrification | Reduction of electricity losses ¹ (% losses measured in substation busbar) | 9.85% | 9.69% | 9.49% |
| | Energy recovery (GWh) | 1,205 | ~2.900 GWh in the period 2021-2023 | |
| | Improvement of supply continuity (SAIDI ² , min) | 60.3 | 57.1 | 45.4 |
| | Deployment of the remote management plan in the Low Voltage network (millions of remote meters installed) | 12.4 | 12.5 | 12.6 |
| | Installation of remote controls in the Medium Voltage network (accumulated) | 23,955 | 29,707 | 43,639 |
| | Technological update of the High Voltage remote control system (accumulated) | 336 | 361 in 2021 ³ | |
| | Number of new producer connections (cumulative no.) | 1,687 | 4,727 | 14,079 |
| | Power of new producer connections (cumulative MW) | 2,065 | 1,445 | 3,628 |
| | Investment in customer digitisation (millions of euros invested) ⁴ | 60.2 | ~ Euros 180 million in the period 2021-2023 | |
| | Digital customers (millions of contracts that have made a contact via digital channel) | 5.7 | 5.8 | 6.0 |
| | Electronic invoicing (Millions of contracts) | 4.4 | 4.7 | 5.3 |
| | Electronic invoicing (% of customers using electronic invoicing) (NEW) | 29% | 33% | 36% |
| | Promotion of the virtual assistant in Care via CAT ⁵ (% of interactions attended by the Virtual Assistant) | 9.1% | 12.0% | 17.5% |
| | Quality: Improvement of global customer satisfaction | 7.4 | 7.45 | 7.50 |
| | Digital, innovative and inclusive Customer Service (% dissemination of the Pedius service) (NEW) | N/A | 100% dissemination of the Pedius service during the period 2021-2023 | |
| | Number of electric vehicle charging points (Public and private use) | N/A | 56,000 charging points in 2023 | |
| Number of e-Bus charging points (NEW) | 126 | 115 charging points in 2023 | | |

¹ OS criterion

² Own + programmed TIEPI (SAIFI)

³ The project ends in 2021

⁴ Includes ENDESA Energía + ENDESA X

⁵ CAT: Telephone Attention Channel

⁶ Estimated closing 2020

| Line of action | | Closing 2020 | 2021 Objective | 2023 Objective |
|---|--|--|--|----------------|
| People we work with | Increase the presence of women in management ¹ positions (% women) | 19.7% | 20% | 20.5% |
| | Increase the presence of women in intermediate positions ¹ GCI+NCO (% women) | 32.6% | 33.0% | 33.5% |
| | Increase the presence of women in intermediate positions: GCI (% women) (NEW) | 27.8% | 28.8% | 29.8% |
| | Promotion of gender diversity in selection processes (% women) | 36% | 50% | 50% |
| | Promotion of gender diversity in personnel recruitment (global% of women) | 32% | 38% | 39% |
| | Professional guidance in STEM areas for women | 572 | > 1,500 women involved in the period 2021-2023 | |
| | Scope of the employee satisfaction survey (% employees) | 100% | 100% | 100% |
| | Employee satisfaction ² (engagement) | 90% | 90% | 90% |
| | Scope of the performance evaluation processes 3(% employees) | 100% ⁴ | 100% | |
| | Participation in performance evaluation processes (% employees) | 99.6% ⁴ | 99% | |
| | Employees who have conducted a feedback interview | 75.7% ⁴ | 95% | |
| | Number of people included in the knowledge transfer initiatives (mentoring, age and gender) | 120 | 125 | 140 |
| | Travel safety: Expansion of the e-Travel digital portal to add itinerary planning functions and authorisations | 100% | 100% of the trips in the period 2021-2023 | |
| | Launch of specific campaigns to integrate disability and make possible new cases emerge. (number of specific communications) | 2 | 3 campaigns a year in the period 2021-2023 | |
| | Promotion of in-person training to employees (hours/employee) | 12.5 | 14.0 | 26.0 |
| | Promotion of online training to employees (hours/employee) | 30.1 | 25.0 | 25.0 |
| | Skill enhancement and retraining programmes for employees affected by the energy transition (training hours per year/person) | 122 | 150 hours in 2021 and 50 hours in the period 2022-2023 | |
| | Continuous learning and entrepreneurship - Dissemination of "train the trainer" approach (no. of courses given by internal instructor) | 71 | 75 courses a year in the period 2021-2023 | |
| | Training programme for new recruits (number of hours/employee) | N/A | 12 hours per employee per year in the period 2021-2023 | |
| | Employees participating in digital transformation training programmes (No. of employees) | 4,197 | > 1,300 employees in the period 2021-2023 | |
| Improvement of work areas in offices (no. employees benefited) | 701 | 1,965 employees in the period 2021-2022 ⁵ | | |
| Promotion of services that favour the reconciliation of employees ⁶ (number of services) | 69 | 70 services in 2023 | | |
| Promotion of smartworking ⁷ (number of employees) | 6,180 | 5,800 employees a year in the period 2021-2023 | | |

¹ Management positions: TOP 200 + managerial level + local managers

² Biennial survey

³ Eligible and accessible individuals who have worked in the Group for at least 3 months. In 2020 it represented 86.5% of employees.

⁴ 2019 performance evaluation conducted in 2020

⁵ The project ends in 2022

The data refer to the total number of services offered in the set of the 7 ENDESA headquarters, such as: financial advice, nutritionist, travel agency, vehicle rental, vehicle cleaning and repair, dry cleaning, catering, changing room, breast-feeding room, etc.

⁷ Employees with the potential to adopt smartworking

| Line of action | | Closing 2020 | 2021 Objective | 2023 Objective |
|------------------------------|-------------------------------------|-------------------|---|----------------|
| Global and local communities | Education (number of beneficiaries) | -1.9 ¹ | 800,000 beneficiaries (Period 2015-2030) ¹ | |

| Line of action | | Closing 2020 | 2021 Objective | 2023 Objective |
|----------------|--|-------------------|---|----------------|
| | Access to energy (number of beneficiaries) | -0.7 ¹ | 4,100,000 beneficiaries (Period 2015-2030) ¹ | |
| | Socio-economic development (number of beneficiaries) | -0.3 ¹ | 1,900,000 beneficiaries (Period 2015-2030) ¹ | |
| | Implementation of projects to create shared value for local communities (number of CSV plans under management) | 67 | >65 | >85 |

¹Accumulated value since 2015.

| Line of action | | Closing 2020 | 2021 Objective | 2023 Objective |
|--------------------------|---|--------------|------------------------------|----------------|
| Sustainable supply chain | Verification of human rights aspects in the supplier qualification process (% qualified suppliers) | 100% | 100% in the period 2021-2023 | |
| | Verification of security aspects in the supplier rating process (% of suppliers rated) | 100% | 100% in the period 2021-2023 | |
| | Verification of environmental aspects in the supplier qualification process (% qualified suppliers) | 100% | 100% in the period 2021-2023 | |
| | Evaluation of contractor companies in social, environmental and ethical matters (% of contractor companies evaluated) | 8.8% | 10% | 15% |
| | Contracts that include the K of sustainability (% of the total) | 83% | 84% | 86% |
| | Promotion of the qualification system: Volume of purchases made from qualified suppliers (% of the total) | 91% | 91% | 92% |

| Line of action | | Closing 2020 | 2021 Objective | 2023 Objective |
|--------------------------------|---|--------------|---|----------------|
| Occupational Health and Safety | Reduction of fatal accidents (number of fatal accidents) | 1 | 0 in the period 2021-2023 | |
| | Reduction of the combined accident frequency rate | 0.36 | 0.56 | 0.45 |
| | Promotion of the performance of safety inspections in own and contractor facilities (number of inspections) | 73,547 | 70,000 inspections in the period 2021-2023 | |
| | Promotion of ECoS (extra checking on site) (number of ECoS) | 13 | 72 ECoS in the period 2021-2023 (24 a year) | |
| | Promotion of medical examinations (number of examinations) | 4,400 | 6,400 examinations a year in the period 2021-2023 | |
| | Safety awareness-raising (No. of actions) (NEW) | 34 | 34 | 38 |

| Line of action | | Closing 2020 | 2021 Objective | 2023 Objective |
|------------------------------|--|--------------|--|----------------|
| Environmental sustainability | Implementation of environmental management systems certified by ISO 14001 (% of facilities) | 100% | 100% of generation and distribution facilities in the period 2021-2023 | |
| | Reduction of the environmental footprint (% reduction vs 2019) | 6,098 | 32% reduction in 2023 | |
| | Promotion of ECoS (extra checking on site) (number of ECoS) | 2 | 8 ECoS in the period 2021-2023 | |
| | Reduction of water catchment in the electricity generation process (m ³ /MWh) | 90.69 | 345 | 249 |
| | Promote efficiency in the management of waste generated in the electricity generation process ¹ (Metric tons) | 30,958 | Waste production <20,000 tonnes in 2023 | |
| | Emissions of SO ₂ (g/kWh _{bc}) | 0.17 | 0.28 | 0.21 |
| | NOx emissions (g/kWh _{bc}) | 0.77 | 0.87 | 0.76 |
| | Particle emissions (g/kWh) | 0.01 | 0.02 | 0.01 |
| Mercury emissions (mg/kWh) | 0.0003 | 0.00052 | 0.00007 | |

| Line of action | | Closing 2020 | 2021 Objective | 2023 Objective |
|----------------|---|--------------------|--|----------------|
| | Implementation of biodiversity conservation programme (number of actions) | 26 | >20 actions carried out annually in the period 2021-2023 | |
| | Certification in environmental energy management and indoor air quality in offices ² (% of total area) | 53% | 50% of the certified office area in 2023 | |
| | Reduction of energy consumption ² (% of annual reduction) | 17.6% | 0.5% vs. previous year in the period 2021-2023 | |
| | Reduction of water consumption ² (% of annual reduction) | 26.6% | 0.5% vs. previous year in the period 2021-2023 | |
| | Reduction in the generation of waste paper and cardboard ² in offices (% reduction) | 0.5% | 3% in the period 2021-2023 | |
| | Reduction in the generation of single-use plastics in offices ² (% reduction) | 64% | 65% | 75% |
| | Reduction of space in all ENDESA buildings (reduction in m ²) | 1,252 | 10,219 m ² reduced in the period 2021-2022 ³ | |
| | Reduction of CO ₂ emissions in buildings ⁴ (% reduction vs. 2020) | 4,719 ⁵ | 7% reduction in 2023 | |
| | Development of actions with social function on patrimonial assets (number of actions per year) | 8 | 10 actions in the period 2021-2023 | |
| | Sustainable fleet management: electrification and optimisation: electric vehicles (% EVs in the fleet) | 9% | 11% of electric vehicles in the fleet in 2023 | |
| | Sustainable fleet management: electrification and optimisation: PEVs (% of vehicles in the fleet) | 26% | 49% of plug-in hybrid vehicles in the fleet in 2023 | |
| | Sustainable fleet management: electrification and optimisation: hybrid vehicles (% of vehicles in the fleet) | 9% | 16% of hybrid vehicles in the fleet in 2023 | |
| | Sustainable fleet management: electrification and optimisation: ICE vehicles (% of vehicles in the fleet) | 56% | 24% of ICE vehicles in the fleet in 2023 | |
| | Reduction of CO ₂ emissions in the management of ENDESA's fleets (% reduction vs. 2020) ⁶ | 18.3% ⁷ | 24% reduction in the period 2021-2023 | |
| | Electrification of car parks at HQs (No of places) ⁸ | 719 | 820 places for electric vehicles in 2023 | |
| | Responsible management of taxi use: Shared taxi (% of employees) | 38% | 40% employees in shared taxi in 2023 ⁹ | |
| | Responsible management of taxi use: % km travelled in ecotaxi | 72% | 74% km done in ecotaxis in 2023 ¹⁰ | |
| | Promotion of the e-carsharing service (km travelled) | 5,645 | 70,000 km in the period 2021-2023 | |
| | E-bike service (km travelled) | 4,095 | 30,000 km in the period 2021-2023 | |
| | Electric scooter service (km travelled) | 989 | 7,000 km in the period 2021-2023 | |
| | Transport card (number of employees) | 831 | > 900 employees in 2023 | |

¹ Hazardous and non-hazardous waste

² Only SIGAEC environmentally certified buildings are included

³ The project ends in 2022

⁴ The reduction of emissions is determined by the reduction of energy consumption and of office space

⁵ Data in metric tons of CO₂

⁶ Fleet emissions in 2020: 4,136 metric tons of CO₂

⁷ Reduction vs. 2019

⁸ The figure refers to the places that have an electric vehicle recharging system installed.

⁹ % of the total number of employees who use the taxi for their business travel.

¹⁰ Ecotaxis use one of the following technologies: hybrid, electric, LPG or CNG.

| Line of action | | Closing 2020 | 2021 Objective | 2023 Objective |
|----------------------|---|--|---|----------------|
| Corporate Governance | Promotion of good corporate governance practices | Accomplished | Supervision and annual report to the Audit and Compliance Committee on the Criminal Risk and Anti-Corruption Prevention Model | |
| | Promotion of the prevention of criminal risks | Accomplished | Maintain certifications of criminal compliance (UNE 19601) and anti-bribery (UNE-ISO 37001) | |
| | Analysis of complaints through the ethical channel | 100% | 100% of complaints in period 2021-2023 analysed in <90 days | |
| | Maintain a high level of excellence in ethical conduct and be recognised by ISR analysts (DJSI score in "Codes of conduct") | 96 | DJSI score > 95/100 in the period 2021-2023 | |
| | Training in ethical conduct in the last 3 years (% employees) ¹ | 100% | 100% | 100% |
| | Presence of women on ENDESA's Board of Directors (% of women) | 31% | 40% on the Board of Directors in 2022 | |
| | Evaluation of the Board of Directors with the support of an independent consultant | N/A (Triennial evaluation conducted in 2019) | 1 three-year evaluation | |
| | Evaluation of compliance with Human Rights. Supervision of the process, approval and monitoring of the action plan | Accomplished | Annual performance and monitoring by the Sustainability and Corporate Governance Committee | |

¹ cumulative % of the current workforce

| Line of action | | Closing 2020 | 2021 Objective | 2023 Objective |
|---|---|--|--|----------------|
| Accelerators: Innovation, cybersecurity, digitisation, circular economy and sustainable finance | Number of collaborations launched with start-ups for the development of ENDESA products and services and the improvement of internal processes | 13 | 14 projects with start-ups in the period 2021-2023 | |
| | Promotion of the culture of innovation: annual events | 9 | 4 annual innovation events during the period 2021-2023 | |
| | Promotion of the culture of innovation: events presented at the "Make it happen!" pitch day (NEW) | N/A | 3 events presented at the "Make it happen!" pitch day Per year in the period 2021-2023 | |
| | Promotion of open innovation | Challenges: 14 Projects: 13 | 3 challenge launches and 8 innovation projects annually during the 2021-2023 period | |
| | Investment in the digitalisation of assets, the customer and our people (€ millions invested) | 314.35 | ~ 1,500 M€ in the period 2021-2023 | |
| | Promotion of cybersecurity awareness among employees and family members (number of actions) | 16 | 15 events annually during the period 2021-2023 | |
| | Execution of cyber exercises involving plant/industrial sites ¹ (cumulative no. of cyber exercises) (NEW) | 21 | 36 cyber exercises in the period 2021-2023 | |
| | Verification of ICT security (no. of actions per year) | 1,139 | 800 annual verifications in the period 2021-2023 | |
| | Promote a cultural change that supports the development of the Circular Economy: training | N/A | Inclusion of a course on the Circular Economy in ENDESA's training portfolio in 2021 | |
| | Promote a cultural change that supports the development of the Circular Economy: creation of the Circular Economy Academy (NEW) | N/A | Creation of the Circular Economy Academy in 2021 | |
| | Promote a cultural change that supports the development of the Circular Economy: informative sessions | 11 | 6 informative sessions per year for employees in 2022-2023 | |
| | Second life search for assets from thermal power plants that cease operations | 2 | 4 plants in 2021 and 2 plants in 2022 | |
| | Application of circularity criteria in the award of tenders | 1 | 10 criteria of circularity in the period 2021-2023 | |
| | Proposal for Circular Economy solutions. Identification and feasibility analysis, in collaboration with the various business areas, of Circular Economy solutions and new business models focused on key technologies. (number of solutions proposed) (NEW) | N/A | 3 | 6 |
| Partnerships with companies (NEW) | N/A | Strengthening alliances with leading companies in the Circular Economy from different sectors, from the design of the alliance with 6 companies in 2021 to | | |

| Line of action | | Closing 2020 | 2021 Objective | 2023 Objective |
|----------------|--|--------------|--|----------------|
| | | | the incorporation of companies to the alliance in 2023 | |
| | Exchange of best practices and knowledge with external actors through participation in working groups (number of participations/year) (NEW) | N/A | 2 | 4 |
| | No. of Futur-e projects | 5 | 5 projects a year in the period 2021-2023 | |

¹ The training services, carried out by mixed Cyber and business personnel, are mandatory and necessary to educate internal stakeholders on the correct use of the Enel CERT in terms of commitment, communication, confidentiality of communication and cyber incidents - services of response (detection, analysis, response, recovery)

7. CIRCULAR ECONOMY

The circular economy is a new vision to achieve development that combines competitiveness, innovation and sustainability. Implementing a circular economy model means rethinking the way we use materials and energy to decouple economic activities from resource consumption: minimising those that are consumed and reintegrating the usable resources of waste into the production process.

ENDESA integrates the circular economy throughout the entire value chain, in a new approach based on sustainable (renewable, reusable or recyclable) resources, on maximising the useful life of assets and products and their utilisation factor, and in the recovery of assets at the end of their life cycle. The representation of this vision can be shown through the five pillars of ENDESA of the Circular Economy:

- **Sustainable procurement:** the use of renewable sources and reused or recycled material resources, minimising the consumption of raw materials.
- **Extension of useful life of products:** the current trend in the Linear Economy is for single-use (throw-away). Extending the useful life is precisely the step of opposing this trend. To do this, it is necessary to act on the design of the products, to enable their repair, facilitate proper maintenance and as a consequence, extend the useful life of assets or products.
- **Product as a service:** this is a business model in which the customer instead of buying and owning the product acquires the service assigned to it. This new model improves the quality of the product, of maintenance and of waste management. Since the company providing the service owns the product, it has an interest in keeping it as long as possible and obtaining the residual value at the end of its useful life.
- **Asset sharing platforms:** digital applications enabling citizens to share assets with one other, increasing the time of use of goods and products.
- **New life cycles:** closes the circle of the five pillars vision by proposing solutions that preserve the value of assets and products when they reach their end of life and use them in new cycles through reuse, regeneration or recycling.



7.1. Circular approach

The energy transition, as a consequence of the fight against climate change, is currently the main challenge that companies in the energy sector must face in the coming years. The firm commitment to the generation of energy from renewable sources, the development of an intelligent and flexible grid that facilitates the implementation of distributed generation, and the electrification of end uses, perfectly describe the way forward to fulfil ENDESA's commitment to contributing its efforts to the decarbonisation of the economy, through the renewal of its generation mix to 2050, with the outstanding milestone of reducing by 80% the specific emissions of Scope 1 in 2030, relative to 2017, and the rest of the actions mentioned, to achieve a progressive reduction in GHG emissions, introducing circular economy criteria as a lever to achieve this objective.

Circular decarbonisation:

The circular economy is being applied as a tool that incorporates sustainability into the business model, while at the same time creating shared value in ENDESA's current decarbonisation process. These principles are the pillars of the “Futur-e” programme, an initiative for the installations of the thermal power plants that have ceased to operate. The objective is to identify new alternative uses for existing sites, through investments by the Company or a third party that create value for local communities, according to the potential and priorities of the territory to which they belong. This whole process is managed in an open, transparent and participatory manner.

In addition, managing assets in accordance with the principles of the Circular Economy allows us to generate economic benefits by making better use of infrastructure, buildings and equipment, prolonging their useful life and generating opportunities for new jobs thanks to their redeployment. The reuse of industrial assets also avoids the consumption of new land and reduces the use of new resources to the extent that existing assets such as buildings, electrical and gas connections, etc. are reused.

The circular approach is also applied in the design and construction phases of new plants, with the eco-design of the materials used being taken into account along with sustainable construction criteria such as the use of renewable energy and the recycling of the materials used in the work itself. For more information see the chapter headed Responsible relations with communities, section 2.3 Accompaniment of decarbonisation projects: “Futur-e” Plans.

Smart and Circular Networks

In recent years, the role of Distribution System Operators has changed: from an electrical network whose purpose was to transmit electrical energy unidirectionally efficiently, from large production plants to the end user, we have moved to a situation in which the flows are bidirectional and hundreds of people can be, at the same time, producers and consumers (“prosumers”) thanks to new technologies such as distributed renewable sources, microgeneration and the vehicle-to-grid system whereby electric vehicles can push back energy to the grid.

The circular economy is part of this transformation, for example, through energy platforms that connect network operators, market agents and consumers, so that resources are shared to carry out more efficient network management. The idea, therefore, is that the network operator can use resources that consumers themselves make available through batteries, photovoltaic panels, electric vehicles or even by disconnecting certain loads, instead of resorting to their own assets. With this model, thanks to the integration of new platforms and innovation, a more efficient, sustainable and flexible network is created.

Circular Economy for customers

ENDESA not only guarantees an adequate supply of energy to customers for the development of activities and businesses, but also puts itself forward as a driver and accelerator of circularity for customers based on a wide range of solutions, fulfilling an innovative role in the market.

ENDESA Solutions in Circular Economy

ENDESA's solutions aimed at customers promote a new energy model based on renewable energy, energy efficiency and the incorporation of business models such as “Servitisation” (basically the addition of value-added services to products) that help drive the transition towards a circular model. In the residential, tertiary and public administration sectors, ENDESA X offers solutions based on a product and service approach, encompassed in the following types:

- **Installation, maintenance and repair services of electricity, gas and air conditioning installations:** installing efficient equipment, avoiding and repairing breakdowns that may increase energy consumption in homes, companies and Public Administrations and, in addition, prolonging the life of the facilities, This includes, but is not limited to, installations in homes, buildings, industrial installations and public lighting.

Specifically, with respect to public lighting solutions, 3 of the 5 business models of the circular economy are met:

- Sustainable inputs: the use of materials and technologies that provide greater efficiency and energy savings thanks to LED technology that allows savings compared with traditional lighting;
 - Shared platform: the use of the same resource for several functions, from security cameras to charging infrastructure;
 - Product as a service: ENDESA X, also as a service provider, offers products for customer use in the form of public lighting services
- **Photovoltaic systems:** capable of capturing solar radiation and converting it into useful energy to feed homes and private and public companies with renewable electricity, satisfying their daily needs. The service may include annual maintenance to ensure the best performance throughout the life of the installation.

Photovoltaic plants allow energy circularity by providing greater energy efficiency compared with connecting to the grid, reducing environmental impact and CO₂ production.

Specifically, the photovoltaic option offered by ENDESA X for households complies with 2 of the 5 business models of the circular economy:

- Sustainable inputs: photovoltaic plants are renewable due to their capacity for self-production of energy and 12% of the materials used to produce them comes from recycled inputs;
- Recycling and reuse: at the end of their life cycle, more than 90% of glass, aluminium and electronic components are recovered and recycled.
- **Heating, ventilation and air conditioning (HVAC) systems:** are a necessary part of the strategy of electrifying demand and "increasing efficiency" aimed at improving long-term energy efficiency at the national level and based on the promotion and dissemination of highly efficient electrical systems, for example, heat pumps, aerothermal, etc. In this area, ENDESA X is also committed to the intelligent management of the operation of HVAC equipment through digital platforms and advanced analytics, allowing optimisation and savings in energy consumption, guaranteeing comfort and therefore well-being.

Domestic condensing boilers specifically comply with 2 of the 5 business models of the circular economy:

- Sustainable inputs: approximately 40% of the steel components used to build the boiler come from recycled inputs;
- Recycle and reuse: condensing technology partially recovers thermal energy, which would be lost with a traditional boiler. At the end of their life cycle, more than 85% of steel components are collected and recycled.
- **Energy management systems:** are systems based on intelligent platforms that help customers (companies or cities) to be aware of their consumption and improve their habits. ENDESA X's Energy Management Service (SGE) is a complete service, based on a digital platform, which ranges from the measurement of consumption and allows, therefore, to know in an agile way, in which points it is most likely to achieve significant savings, to the implementation of efficiency and savings measures, making it possible to monitor and verify these savings with the information available on the platform.

These solutions fit perfectly into the vision of a new energy model based on renewable energy, the electricity sector and technological applications that can contribute to a rapid transition towards a circular model. This is the first step in a roadmap in which a sustainable approach, based on "servitisation" and improvement of the end-of-life phase of the product are the key points.

ENDESA's commitment to making electric mobility the best mobility option from all points of view, combining innovation and sustainability, deserves special attention.

ENDESA X is investing in the construction of a public access charging network, with the aim of installing 8,500 public charging stations by 2023. The deployment of these recharging infrastructures is being carried out both in urban centres and along the main roads of the country, with the aim of ensuring the possibility of charging in any situation and need that may arise, thus promoting a more sustainable transport throughout Spain.

The entire public access charging infrastructure deployed by ENDESA is connected to a platform that allows management and access to it easily through an app. This app is freely available to all

and allows universal recharging in the infrastructure, whether or not the EV user has a prior contract with ENDESA X. ENDESA X's recharging network is interoperable with other operators.

7.2. Circular economy projects

ENDESA has also developed various Circular Economy initiatives, among which the following projects stand out:

Melilla Second Life (Second life of batteries): In the Second Life Battery Energy Storage System project carried out in the Melilla power plant, new and recycled batteries of electric vehicles have been integrated to develop a rapid response storage system. Its objective is to serve as a backup in case of possible generation failures, to avoid load shedding, reducing the consumption of raw materials and extending the life cycle of batteries.

Circular Dismantling of the Coal Plants (New Life):

Valuation of equipment and spare parts that will be out of use after the scheduled dismantling of the various plants.

The objective of the project is to find a second life for the assets of the Compostilla, Teruel, As Pontes and Litoral plants that are going to cease their activity.

Within these second life options the following is contemplated:

- Reuse of equipment and spare parts in other Group plants.
- Sale to third parties through companies specialising in the sale of these kinds of assets for their reuse.
- Assignment of materials and equipment to cultural and educational entities.
- Recovery of equipment and materials, the sale of which has not been possible, as waste to obtain reusable raw material.

ENDESA's objective is to implement Circular Economy criteria in its business lines and specifically in the dismantling of the plants that are going to close.

Opportunities for re-industrialisation and business development (Futur-e): Along with the plans for the dismantling of coal-fired power plants that are going to close, ENDESA has voluntarily submitted Future Plans (called Futur-e), which try to reuse the energy possibilities of the site (e.g. solar photovoltaic, wind, storage), infrastructures, cooperation with local interest groups and innovation. These plans are focused on 4 axes: proactive search for employment for the personnel directly affected, promotion of economic activity and local employment, training to improve employability, aimed at the population of the environment of local influence and actions aimed at mitigating the impact of the closure on the municipality where the plant is located.

Recovery of ash produced by coal-fired plants. Ash, as a by-product of coal combustion, is used to replace the limestone necessary for the production of cement and asphalt, reducing the use of raw materials for the production of cement and minimising the shipment of ash to landfill. In 2020, 84% of the coal ash produced was recovered.

Repair and reuse of wind farm components. The objectives of this initiative are the optimisation and reduction of the consumption of new equipment when carrying out maintenance activities for wind farms throughout their useful life. Additionally, the objective will be to extend the useful life of the components in such a way as to reduce the consumption of raw materials.

AIRES Project The AIRES project was born of the need to guarantee sustainable development and growth of the wind sector. Developing new technologies, methodologies and processes for the design of future wind turbines, as well as for the recycling and reuse of the materials obtained after the dismantling of the current ones, once they exceed their expected life cycle.

Ecodesign of urban furniture on the campus of the University of La Laguna. Collaboration agreement signed between the University of La Laguna and ENDESA to use the wooden coils of the cables of electrical power distribution lines to make sustainable urban furniture, thereby favouring the circular economy. The resulting designs will be dedicated to decorating the entire university campus. Promotes the reuse of materials to reduce their environmental impact.

Zero waste certification. ENDESA has obtained the AENOR Guaranteed Traceability of Waste Management certificate for the waste recovery system (reuse, recycling and energy recovery) for its three port terminals located in Ferrol (A Coruña), Algeciras (Cádiz) and Carboneras (Almería). Applying circular economy criteria, this system avoids the depositing of waste in landfills and facilitates the traceability of more than 90% of waste.

In this way, waste becomes raw materials in different production processes such as the manufacture of paper and cardboard or cement, among others, avoiding the extraction and use of virgin materials. It is the first energy company to receive this certification.

Zero Plastics. The initiative was launched in May 2019 in all ENDESA administrative offices with different measures and the objective of which is to reduce the consumption of single-use plastics in the company. So far, the generation of 11.7 metric tons of single-use plastic waste has been avoided, which represents a reduction of 37% compared with the situation before starting the project. Thanks to the delivery of a recyclable glass bottle to the employees, it has been possible to reduce the consumption of bottled water and therefore avoid the generation of plastic bottle waste, and this has led to a 62% reduction in bottled water in the vending machines at the Madrid headquarters. There are no relevant data available since March 2020 because of the suspension of activity in the work centres due to COVID-19.

8. THE VALUABLE 500

In 2020 ENDESA, as a company committed to diversity and inclusion and with the firm purpose of creating an inclusive environment for both its workers and its stakeholders, became the first energy company in Spain to join The Valuable 500 initiative.

This initiative is a global movement that places disability on the business leadership agenda and calls for the responsibility of large companies regarding the inclusion of disability in their business models and strategies. ENDESA, as a leading company in the sector in which it operates and because of its commitment to society and the Sustainable Development Goals, wished to be part of this movement by incorporating disability on the Board's agenda. For more information on ENDESA's management of diversity and the inclusion of people with different abilities, see section 6.1.3. Promotion of other dimensions of diversity in the chapter Commitment to our employees.

Our joining this movement involves three fundamental commitments:

- 1) **Incorporation of the inclusion of disability in the Board's agenda.** In this regard, ENDESA's Board of Directors approved the Company's joining the initiative on 28 September 2020. Additionally, the Sustainability and Good Governance Committee, complying with one of its objectives for the 2020-2021 period, which is to push measures to promote disability inclusion, supervised the Action Plan designed for this purpose throughout 2020. Along these lines, the commitment is assumed by the CEO and all areas of the Company.
- 2) **Making a firm public commitment to act on disability.** This commitment, led by the CEO, includes the Company's commitment to promoting human rights, non-discrimination, equal opportunities and diversity in all places where it operates and considering the promotion of diversity and inclusion as fundamental elements for the

Company's strategy. The pledge is available on The Valuable 500 website: <https://www.thevaluable500.com/the-valuable-500/>

3) Share commitment internally and externally through different communication activities

In addition, in order to deepen its commitment, ENDESA has developed an action plan throughout 2020, aimed at both customers and employees and society in general, based on 4 pillars:

- Disability awareness and training
- Improving employability
- Reduction of barriers to improving accessibility
- Improvement of products and services.

This action plan has been developed with an innovative, multidisciplinary and collaborative vision that has sought the active participation of the affected interest group, people with disabilities, in the identification of needs and the search for solutions for them. To this end, a multidisciplinary internal team has been created, made up of representatives from 11 different areas of the Company. Second, an inclusion community has been created made up of employees with disabilities or those who have people with disabilities in their charge and representatives of associations related to the world of disability. In addition, the most relevant associations at the national level have been identified.

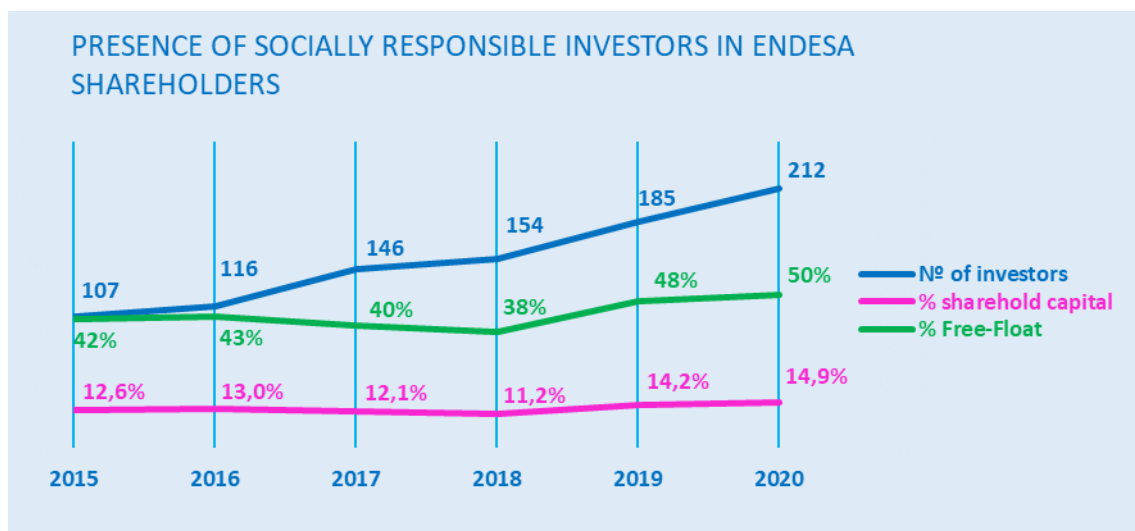
Co-creative methodologies have been developed, analysing in detail jointly with people from the interest group the journeys of people with disabilities throughout their relationship with the company as employees and as customers, to identify the needs that arise in the different stages and design solutions to those needs. The great collaboration and participation of all the members has given rise to more than 45 actions that ENDESA will implement in a period of 3 years and that cover (in summary):

- 1) Awareness-raising and training on disability:** Actions to raise awareness, internally and externally, awareness training aimed at the entire workforce and specific groups such as managers, account executives, people involved in selection processes, etc., and dissemination of the integration of disability through communication campaigns and development of good practices and recommendations for action.
- 2) Improving employability:** Development of new internal initiatives to improve the employability of people with disabilities, from a scholarship plan to improving the selection processes for internal positions. Adaptation of training courses for employees with disabilities, as well as adaptability of tools and work areas so that inclusive spaces are developed.
- 3) Reduction of barriers and improvement of accessibility:** All situations that may occur with both internal and external personnel or visits to the Company's facilities have been analysed, always adopting the best guidelines and protocols for action.
- 4) Improvement of products and services:** It is planned to carry out different studies to identify and quantify the scope of the actions to be carried out to improve the inclusion of customers, in addition to the already existing services aimed at facilitating accessibility to digital content, commercial channels and company facilities.

9. ENVIRONMENTAL, SOCIAL AND GOVERNANCE RATINGS AND INDICES

ENDESA works actively to be a reference company for investors who take account of social, environmental and ethical considerations in their investment policies, generating a long-term relationship with them.

For the fifth consecutive year, in 2020 ENDESA carried out a study to identify shareholders, with a special focus on those foreign institutional investors who have a responsible investment policy and are active in non-financial matters. This study determined that ENDESA has at least 212 socially responsible investors (almost twice as many as in 2015), representing 14.9% of the share capital and 50% of the free float. In compliance with Spanish legislation regarding the identification of shareholders, the analysis was carried out at the level of investment advisor, without being able to drill down to the level of the investment fund.



9.1. Sustainability indices and rankings

ENDESA is aware that a prominent presence in the main socially responsible investment indices tends to attract this type of investor and therefore the Company pays great attention to this. Additionally, to obtain financing on favourable terms it is becoming increasingly important to be well rated by the various agencies and indices, as it is becoming generally accepted that genuine integration of sustainability into the management of the company reduces the risks associated with financing. Also, ENDESA's presence in these indices recognises its sincere and rigorous commitment to the integration of social, environmental, ethical and good governance aspects into business management and decision-making processes, reaching a high level of performance. And last but by no means least it allows ENDESA to deepen this commitment by precisely identifying areas for improvement in integrating sustainability into company management; in other words it is a tool for continuous improvement in its sustainability management.

Among the achievements made by ENDESA in 2020 are:

- ENDESA has renewed its presence in the DJSI World for the 20th consecutive year, with 87 points (4 points more than in 2019), reaching its all-time scoring record. With this, the company occupies 5th position among electric utilities included in the DJSI World (up two places compared with 2019) and 7th position in the complete DJSI Family.

- ENDESA has maintained its presence in the Euronext Vigeo-Eiris World 120, Europe 120 and Eurozone 120 indices, reaching its historical scoring record with 75 points (8 points more than in 2019) and achieving the 2nd position among companies in the sector and 2nd position in all sectors worldwide.
- ENDESA has renewed its presence in the FTSE4Good indices, improving its score compared with the previous edition to place it in 2nd position among conventional electricity companies.
- ENDESA has been included in List A of CDP Climate, recognising its leadership in reducing risks and seizing opportunities to face climate change. Likewise, ENDESA has been added to List A of CDP Water, highlighting its performance in risk management and opportunities associated with water.

The main sustainability indices in which ENDESA is present are listed below:

ESG FOCUS

| | | | |
|--|--|--|--|
| <p>87/100</p> <ul style="list-style-type: none"> • Renews its presence at DJSI World for the 20th consecutive year • 5th position of the electrics included in the DJSI World and seventh position in the complete DJSI family | <p>4,9/5</p> <ul style="list-style-type: none"> • Renews its presence for the 5th consecutive year • 2nd position in the conventional electricity sector • Maximum score 5/5 in the environmental and governance dimensions. | <p>75/100</p> <ul style="list-style-type: none"> • Renews its presence in the Euronext Vigeo 120 World, Europe and Eurozone indices • 2nd position in the electric and gas utilities sector • 2nd position in the world of all sectors | <p>22,1/100*</p> <ul style="list-style-type: none"> • Among the 6% of the best rated electric utilities • Among the 8% of the best rated utilities • Renew its presence in the STOXX ESG Leaders Index |
| <p>84/100</p> <ul style="list-style-type: none"> • 5th position of electric utilities & IPPs • Included in Refinitiv 5-Network ESG Best Practices index: <ul style="list-style-type: none"> ✓ Developed Markets (ex-US) (Global, Ambiental y Social) ✓ Europe (Global, Ambiental y Social) | | <p>Included in:</p> <ul style="list-style-type: none"> ✓ ECPI World ESG Equity ✓ ECPI Euro ESG Equity ✓ ECPI Global Carbon Liquid ✓ ECPI Global Clean Energy ✓ ECPI Global Renewable Energy Liquid | |

FOCO MEDIOAMBIENTAL

| | |
|---|---|
| <p>A- A A+</p> <p>Pobre Medio Bueno Excelente</p> <ul style="list-style-type: none"> • Improved score of the previous year and is included in List A, recognizing its leadership in reducing risks and capturing opportunities to face climate change. | <p>A- A A+</p> <p>Pobre Medio Bueno Excelente</p> <ul style="list-style-type: none"> • Improved score of the previous year and is included in List A, highlighting its performance in risk management and opportunities associated with water. |
|---|---|

FOCO SOCIAL

70,92/100

- Renews its presence for the 2nd consecutive year in this index that selects the 380 companies in the world with the best performance in gender diversity issues .

9.2. Sustainable finance

The year 2020 was marked by the COVID-19 pandemic, and the sustainable finance market did not escape the negative impact that this global crisis had on financial markets as a whole.

Despite its devastating effects on health and the economy, this crisis has been an invitation to reflect on the essential role that sustainability must play in economic reconstruction. This represents a great opportunity for sustainable financing, posing great challenges when developing innovative financial products that provide an agile and adequate response to the new needs of investors, companies and other stakeholders.

The European Union has assumed a leadership position in achieving the objectives of the 2030 Agenda and its Member States have pointed out some of the keys to accelerating the financing of these objectives with their rapid, solidarity-based and coordinated response to the crisis through the Euros 750 billion Recovery Plan which will entail not only the acceleration of pre-existing investment plans but also a stimulus to undertaking substantial additional investments in sustainable projects.

This leadership position has been endorsed with the recent announcement that the requirement to reduce greenhouse gas emissions will be increased, from the current target of 40% to 55% by 2030, and that at least 30% will be allocated from the budget to actions against climate change.

The announcement by the ECB that from 1 January 2021 it will include bonds linked to sustainability objectives in its debt purchase programme also clearly supports innovation in sustainable finance.

2020 also saw significant progress in harmonising sustainability criteria, with the entry into force in July of Regulation (EU) 2020/852 of 18 June 2020, the “Taxonomy Regulation”. Along the same lines, the supervisory bodies of the financial markets reinforced their commitment to actively promoting sustainability criteria. Thus, the European Banking Authority (EBA) plans to send a report to the European Parliament, Council and Commission in the middle of 2021 in which it will evaluate the inclusion of ESG risks in the regulatory and supervisory framework for credit institutions and investment firms. For its part, the European Securities and Markets Authority (ESMA) has included the supervision of ESG reporting as one of the priorities of its supervisory convergence function in its 2021 Work Programme.

In its Strategic Plan 2021-2023 (for more information on ENDESA's Strategic Plan see point 6.2. Strategic Lines of Action in the 2020 Consolidated Management Report), ENDESA has ratified its firm commitment to a fully sustainable business model inspired by the UN Sustainable Development Goals (SDGs), as well as its determination to lead the energy transition and its conviction that sustainability is a source of long-term value creation.

As an active participant in the sustainable finance market, ENDESA is taking an ambitious approach to sustainable finance instruments to support its strategy and to promote sustainability among stakeholders.

Along these lines, ENDESA is developing innovative financial products that go beyond the traditional schemes based on the nature of the assets financed (use of proceeds) included in the Green Bond Principles of the International Capital Market Association (ICMA), giving greater weight to general purpose financing transactions linked to sustainability through KPIs representative of ENDESA's sustainability strategy.

This new approach was favourably received in ENDESA's sustainable financing transactions in 2020:

- In April 2020, in order to strengthen its liquidity position following the declaration of the pandemic, ENDESA signed two medium-term bank financing transactions in Club Deal

form for a total of Euros 550 million. Both transactions are linked to a sustainability objective.

- In May 2020, ENDESA marked a milestone in the Euro Commercial Paper market with the registration with the CNMV of its SDG7 Euro Commercial Paper Programme for an amount of Euros 4 billion, since it is the first corporate programme linked to sustainability objectives listed in Europe.
- In December 2020, ENDESA signed bank guarantee facilities linked to sustainability objectives for a total of Euros 630 million.

Additionally, ENDESA extended this approach to other short-term and working capital financial instruments, as shown in the factoring transactions for receivables on retail customers, public administrations and major customers concluded in September and December.

However, this ambition is not limited solely to supporting the strategic role played by sustainable finance, since ENDESA also uses sustainable finance as a valuable instrument to promote sustainability among the various stakeholders, among which financial institutions and suppliers occupy a prominent place.

Thus, in December 2020, ENDESA signed two agreements with financial institutions for a total of Euros 329 million to introduce sustainability criteria in their confirming transactions for the advance payment of invoices to suppliers. These are the first confirming lines linked to sustainability criteria signed by ENDESA, and also the first for Spain's energy sector. With these transactions, ENDESA fosters the commitment to sustainable objectives both among its suppliers and among the financial institutions with which it does business, which offer more advantageous terms to suppliers that demonstrate best practices in environmental management.

Additionally, in July 2020 ENDESA signed a long-term loan of Euros 35 million with the European Investment Bank (EIB) to finance the deployment of 8,500 electric vehicle charging points over four years. This investment will help accelerate the transition to electric mobility in Europe, help reduce polluting emissions from road transport and will have a positive impact on job creation at a critical time due to the health crisis.

Although transactions with supra-state lenders such as EIB or state lenders such as Spain's Official Credit Institute (ICO) are based on the 'use of proceeds' model, the high standards that these entities apply in terms of sustainability make them important allies of ENDESA for the development of its sustainable strategy,

As a result of these operations, sustainable finance represented 45% of total gross financial debt at the end of 2020, a very significant advance compared with the figure for 2019, which stood at 27%. Considering only debt to third parties, this percentage increases to 76%. In the coming years we expect steady growth in sustainable debt as a proportion of total gross financial debt, reaching approximately 60% in 2023.

ENDESA intends to broaden the range of sustainability objectives considered in sustainable financing and will pay special attention to the new opportunities that will undoubtedly arise from the EU Recovery Plan, for which ENDESA has already identified a wide range of eligible projects.

10. PARTICIPATION IN ASSOCIATIONS

ENDESA participates pro-actively in various forums and associations aimed at promoting sustainable development. Participation in these types of organisations allows ENDESA to show its commitment to sustainability, interact with the main agents of change generating shared value between the company and its environment, learn and share good practices, as well as strengthening relationships with stakeholders.

10.1. Participation in sustainability forums and associations

102-13

Detail of the main sustainability forums and associations in which ENDESA participated in 2020:

| Organisation | Type of association | ENDESA's position | ENDESA's participation in 2020 |
|---|--|--|---|
|  <p>Esta es nuestra Comunicación sobre el Progreso en la aplicación de los principios del Pacto Mundial de las Naciones Unidas. Agradecemos cualquier comentario sobre su contenido.</p> | Multi-stakeholder association which acts as the focal point for the United Nations Global Compact in Spain. | Member of the Executive Committee. | Promotion of the Ten Principles of the UN Global Compact. UN Sustainable Development Goals Human Rights Working Group. |
|  | Association of large companies and national partner of CSR Europe. | Founding Partner. | Energy efficiency. Sustainable mobility. Socially Responsible Investment. Responsible procurement. Responsible communication. Circular economy. Corporate governance. Human resources Business management of biodiversity. Integration of CR in the company. |
|  | Multi-stakeholder association and national partner of WBCSD and CSR Europe. | Promoter Partner and member of the Board of Directors. | Climate change. Integrity, good governance and transparency. Circular economy. Social impact. |
|  | Public-private meeting space for a more sustainable and innovative city. | Associate company. | Electric mobility. |
|  | Private foundation aimed at bringing about a more significant role for business in the improvement of society. | Patron of the Foundation. | Participation in different working groups. |

| Organisation | Type of association | ENDESA's position | ENDESA's participation in 2020 |
|--------------|------------------------------|-------------------|--|
| | Corporate volunteer network. | Managing partner. | Contribution to local development. Corporate volunteering. |

It should be noted that ENDESA also participates in other forums and associations whose mission is to advance the management of a specific sustainability issue, such as the fight against climate change or social action.

Similarly, ENDESA participates in forums and associations aimed at promoting the interests of the business sector in general or the energy sector in particular, among which the following stand out:

| Organisation | Function | ENDESA's position | ENDESA's participation in 2020 |
|--------------|---|--|---|
| | National business association. | Member of the Committees on Industry, International Relations, Health and Consumption, Economic and Financial. | Participation in the various committees. |
| | Association of the electrical sector. | Executive partners. | Participation in working documents, committees on the various energy areas, forums and meetings. |
| | Association of the gas sector. | Executive partners, presence in the Permanent Committee. | Participation in committees in different areas: marketing, communication, legal, tax. Presence in forums and meetings. Collaboration in working groups to prepare working documents. |
| | Portuguese Business Association with the state of the chamber of commerce. | Vice Presidency of the Executive Directorate. | Strengthening the development of Institutional and Commercial relations, in Portugal, with AIP associates. Participation in committees. |
| | AFIEG brings together French companies and subsidiaries of European operators in the electricity and gas sectors. | Vice presidency and members of the board of directors. | Dialogue with the General Directorate of Energy and Climate to present initiatives. Response to public consultations of the Energy Regulation Commission (CRE). Presentation of suggestions to the Ministry of Ecological and Solidarity Transition. Participation in forums on access to consumer data in France. Participation in working groups on biogas and CEE. |
| | CONFEDERATION OF BUSINESSMEN OF ANDALUSIA (CEA) | Executive partners. | Representation, promotion and defence of the general interests of the electricity sector in Andalusia. Consultation and collaboration with the Administrations. |

10.2. Participation in forums and initiatives for the promotion of human rights

102-13




ENDESA considers the management of respect for human rights to be a strategic issue that is a fundamental part of its strategy for sustainability and relations with stakeholders. For this reason, the company actively participates in the different debates and discussion forums that take place in Spain on this matter. Thus, for example, it is worth highlighting ENDESA's participation in the Human Rights Working Group of the Spanish Network of the Global Compact, which aims to share good practices among the business sector on this matter and design methodologies that help companies, especially SMEs, to integrate human rights into their business strategies.

Apart from this, ENDESA actively participated in the consultation process developed by the Government of Spain for the preparation of the National Business and Human Rights Plan approved by the Council of Ministers on 28 July 2017. This plan, which reflects Spain's commitment to protecting human rights against any impact that business activity may have on them, responds to the recommendations made within the framework of the European Union through the renewed EU Strategy for 2011-2014 on corporate social responsibility and its Action Plan on human rights and democracy 2020-2024.

Additionally, ENDESA regularly participates in forums aimed at promoting Human Rights and especially to disseminate the approach of the United Nations Guiding Principles in the academic field.

10.3. Participation in environmental forums and associations

102-13

| Organisation | Type of association / initiative | ENDESA's position | ENDESA's participation in 2020 |
|---|---|--------------------------|--|
|  | Association created to promote public-private collaboration and jointly advance in the environmental challenges we are currently facing | Founding Partner | <ul style="list-style-type: none"> • Circular Economy • Climate Change |
|  | Spanish Platform for Climate Action | Participant | Constitution of the platform, which was created with the purpose of promoting public-private collaboration against climate change and contributing to a green and decarbonised economy. Participation in forums and surveys. |
|  | #PorElClima Community | Participant/Award winner | Network for action against climate change. ENDESA featured for the second consecutive year in the yearbook of the 101 best initiatives for the climate organised by the community. |

| Organisation | Type of association / initiative | ENDESA's position | ENDESA's participation in 2020 |
|---|---|-----------------------|---|
|  | Biodiversity Foundation | Signatory | <ul style="list-style-type: none"> • ENDESA is a signatory to the Pact for Biodiversity led by the Biodiversity Foundation. • ENDESA was a finalist in 2020 in the Business and Biodiversity category of the European Business Awards for the Environment for the project called "Integrated evaluation of ecosystem services in the environment of several ENDESA hydroelectric reservoirs". |
|  | Spanish Business and Biodiversity Initiative | Participant | <ul style="list-style-type: none"> • ENDESA has been a member since June 2013 of this public-private platform promoted by the Biodiversity Foundation of the Ministry for the Ecological Transition and the Demographic Challenge. |
|  | Spanish Association for Standardisation | Committee Participant | <ul style="list-style-type: none"> • Participation in committees on renewables, climate change, environmental management and energy efficiency. |
|  | Voluntary agreements to reduce greenhouse gas emissions | Participant | <ul style="list-style-type: none"> • Verification of ENDESA Distribución's activities in Catalonia |
|  | Carbon Disclosure Project | Participant | <ul style="list-style-type: none"> • Participation in the climate change, supply chain and water initiative |

| Organisation | Type of association / initiative | ENDESA's position | ENDESA's participation in 2020 |
|--------------|---|-------------------|---|
| | Non-State Actor Zone for Climate Action (NAZCA) | Participant | It was launched at the UN Climate Change Conference in Lima in December 2014 (COP20) and records the commitments for action by companies, cities, regions, sub-national governments and investors to tackle climate change. |
| | Natural Capital Factory | Participant | Platform that brings the Spanish community together around approaches to natural capital, with the aim of ensuring that nature is included in organisations' decision making. |
| | <p>CONAMA: Continuous working groups to prepare documents through the technical committees of experts:</p> <ol style="list-style-type: none"> 1. Adaptation to Climate Change. 2. Business and Biodiversity 3. Emission rights trading. 4. Directive on Industrial Emissions in the taxonomy of sustainable investments. 5. Non-Financial Information Statement 6. Energy and City. | Participant | Advancing knowledge on adaptation to climate change and biodiversity, through sharing the experience and ideas of the participants |

10.4. Transparency in institutional relations

ENDESA manages relations with the institutions according to the principles established in the regulatory provisions and its Code of Ethics, providing its vision or positioning and offering comprehensive, transparent information for making the most appropriate decisions.

In this regard, particularly and as established in its Code of Ethics: “ENDESA does not finance parties, their representatives or candidates in Spain or abroad, nor does it sponsor congresses or parties whose sole purpose is political propaganda. It does not exert any type of direct or indirect pressure on political exponents (for example, through public concessions to ENDESA, acceptance of suggestions for hiring, consultancy contracts, etc.)”.

ENDESA participates in business and employers' associations which, among other things, represent their members in public regulatory processes and, in general, within the framework of the consultation processes of energy and business policy initiatives developed by public institutions. In 2020, annual contributions paid to the organisations referred to in the form of membership fees totalled Euros 3.34 million. In particular, the three most important contributions corresponded to “Association of Electric Power Companies- AELEC” (Euros 2.10 million),

“Nuclear Forum” (Euros 0.28 million) and “Spanish Confederation of Business Organisations - CEOE” (Euros 0.21 million).

The institutional dialogue with the business and employer associations in which ENDESA participated in 2020 focused on supporting the consultation and regulatory development processes in the following areas:

- **Policy development:** aimed at promoting a sustainable energy model, including, among other topics, energy efficiency, the growth of renewable energy, the development of smart grids and digitisation. The contribution in 2020 was Euros 2.79 million.
- **Business regulation:** related to increasing business competitiveness, including, among other topics, industrial legislation, tax regulation and labour law issues. The contribution in 2020 was Euros 0.55 million.

The following table shows the amounts by type of contribution made between 2017 and 2020.

| Contributions and Other Expenses (millions of euros) | | | | |
|---|------|------|------|------|
| | 2017 | 2018 | 2019 | 2020 |
| Lobbying, interest representation or similar | 0 | 0 | 0 | 0 |
| Local, regional or national political parties / representatives or candidates / political campaigns | 0 | 0 | 0 | 0 |
| Business and employers associations | 3.71 | 3.44 | 3.09 | 3.34 |
| Other | 0 | 0 | 0 | 0 |
| Total Contributions and Other Expenses | 3.71 | 3.44 | 3.09 | 3.34 |

In Europe, the supervision of this type of activities is carried out through voluntary registration on the platform created for this purpose by the European Commission - (<http://ec.europa.eu/transparencyregister>), with which ENDESA has been registered since 2011. The registry aims to provide citizens with a single, direct point of access to information about who carries out activities aimed at influencing the EU decision-making process, the interests pursued and the resources invested in these activities.

DECARBONISATION



| | Line of action | 2020 Objective | 2020 Profit/Loss | Key actions |
|-----------------------------------|--|----------------|------------------|--|
| Decarbonisation of the energy mix | Specific CO ₂ emissions (g/kWh) | 277 | 180 | In 2020, two of the main coal-fired plants on the mainland were closed: the Compostilla and Teruel thermal power plants. |
| | CO ₂ -free production (% of production) | 60 | 70 | ENDESA managed to connect 391 new MW to the grid, joining the 926 MW connected during 2019. This new power corresponds to 12 new wind and photovoltaic parks and one hydroelectric repowering. |
| | Renewable capacity (MW installed) | 7,893 | 7,825 | |
| | Installed fossil thermal capacity (MW installed) | 11,221 | 11,187 | Progressive cessation of peninsular coal activity by 2021. |

1. DECARBONISATION

1.1. Global commitment to combating climate change

The Paris Agreement is the first universal and legally binding agreement on climate change, adopted at the 2015 UN Paris Climate Conference (COP21), its objective being to limit the increase in temperature to less than two degrees Celsius and if possible not more than 1.5 degrees relative to pre-industrial levels.

1.1.1. A context of call to action



December 2019 saw the publication of the European Green Deal, the roadmap drawn up to provide the EU with a sustainable economy, with the aspiration of being climate neutral by 2050. Achieving this objective requires us to continue to transform climate and environmental challenges into opportunities in all areas and to achieve a just and inclusive transition for all.

In March 2020, the European Commission published the proposal for a Climate Change Law which, among other aspects, proposes legislating the goal of carbon neutrality by 2050. This goal

calls for an increase in ambition to 2030 and the definition of a path through an intermediate goal in 2040. On 17 September 2020, together with the evaluation of the national energy and climate plans of the Member States for 2021-2030, the Commission Communication on the 2030 objective was published, proposing a 55% reduction in emissions from 1990 levels instead of the current 40%. It was a proposal as ambitious as it is necessary for Europe to achieve carbon neutrality by 2050, in line with the Paris Agreement and with the aspiration of limiting the global temperature increase to 1.5°C, and which was endorsed on 11 December by unanimous agreement of the heads of state of the 27 member states in the European Council, once again putting the EU at the head of the fight against climate change.

The new climate target for 2030 is expected to help focus Europe's much-needed economic recovery after the coronavirus pandemic. It will stimulate investment in a resource-efficient economy, foster innovation in clean technologies, boost competitiveness, and create green jobs. Member States can draw on the Euros 750 billion from the Next Generation EU recovery facility and the next long-term EU budget to make these investments in ecological transition. To support the necessary investments, the Commission also adopted the rules that will regulate the new EU renewable energy financing mechanism to facilitate collaboration among Member States in the financing and deployment of projects in the field of renewable energy.

With all this, it is expected that before June 2021 the legislative proposals to apply the new objective will be made known through the following measures: review and expand the EU emissions trading system (ETS); adapt the Effort Sharing Regulation and the framework for emissions in the LULUCF (Land Use, Land Use Change and Forestry) sector; increase energy efficiency through the Energy Efficiency Directive, renewable energy policies through the Renewables Directive, and tighten the CO₂ rules applicable to road vehicles by means of emission standards for cars and vans.

Spain has already committed to climate neutrality by 2050 at the latest. For this, it has the National Integrated Energy and Climate Plan (PNIEC), which establishes the roadmap for the next decade, a Plan that goes beyond the initial ambition of the EU, aligning itself with the increase in ambition to 55% agreed at the end of 2020 by the Heads of State of the 27 member countries. Spain defines in the National Integrated Energy and Climate Plan (PNIEC) the measures necessary to achieve a 23% reduction in greenhouse gas emissions by 2030 relative to 1990 levels. The aim of going from the 334.3 MtCO₂-eq emitted in 2018 to 221.8 MtCO₂-eq in 2030, which implies removing approximately one third of the current emissions between the two dates, gives an idea of the scale of the ambition of the measures defined in the PNIEC: a 42% presence of renewables in final use energy, an improvement of 39.5% in energy efficiency and a 74% penetration of renewables in electricity generation.

1.1.2. ENDESA's commitment regarding climate change.



Stopping the rise in temperature requires urgent action to reconcile growth and economic well-being with reducing emissions, and this will only be possible with an energy model that allows safe, affordable and clean energy for all. The role of the electricity sector is crucial to achieve decarbonisation objectives, since it allows the incorporation of renewable energies to final uses and is key to achieving improvements in energy intensity and efficiency values.

Climate change is the main environmental challenge facing the planet and ENDESA is well aware of the urgency of tackling it decisively and studying the risks and opportunities that it entails. For

this reason, combating global warming is an integral part of its business strategy and a basic pillars for maintaining a sustainable business model. The reduction of GHG emissions, the improvement of energy efficiency and the electrification of demand are key aspects that support the important role that ENDESA plays in achieving low-carbon, sustainable, safe and efficient energy. Precisely the most significant aspects that it addresses in its climate change management model are the commitment to society and the setting of objectives, accompanied by measures to reduce emissions and forest restoration projects, all accompanied by transparency in reporting its performance and results, following the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures).

5 years of the Paris Agreement

It has been five years since measures were established worldwide to reduce greenhouse gas emissions to implement the United Nations Framework Convention on Climate Change.

The main objective of the Paris Agreement is to restrict the increase in global temperatures to 2°C, with the intention to keep it within 1.5°C compared to the pre-industrial period. But the Agreement does not stop there. It also sets out a path for achieving it, and introduces the requirement to achieve carbon neutrality, which developed economies are required to achieve by 2050.

It was a historic global agreement. A total of 190 plans to combat climate change were presented, covering around 99% of emissions from all the parties to the United Nations Framework Convention on Climate Change (UNFCCC).

For ENDESA, tackling climate change has been an unprecedented challenge, with the establishment of ambitious objectives through the successive Strategic Plans drawn up since then, with the firm commitment to have zero CO₂ emissions by 2050 and charting a path with intermediate objectives of absolute emission reduction.

In just four years since the entry into force of the Paris Agreement, ENDESA has gone almost half way towards the goal set for 2050: reducing its emissions by 48% since 2015 (almost 70% since 2005, the year in which the Kyoto Protocol came into force). The update to the Strategic Plan for 2021-2023 presented at the end of November 2020 reaffirms the company's commitment to the fight against climate change:

It is thus once again playing a key role in the fight against climate change, demonstrating leadership and significantly contributing to the fulfilment of national and international commitments that address the decarbonisation of the planet. As recognised this year by the CDP, an index that is clearly the reference for investors, which has included ENDESA in List A, which recognises leading companies in climate action and transparency, and to which only four utilities have been admitted this year. Obtaining this type of qualification from this independent and prestigious entity is a ringing endorsement of the trajectory that ENDESA has carried out in such a short time.

Business model: Promotion of a fair transition.

ENDESA, always up to date with the intense international negotiations, aligns its business strategy in accordance with the global commitments and objectives that have currently been set out in the fight against climate change. In this way it remains committed to contributing to the principle of "leaving no-one behind", ensuring that the transition is fair and promoting the creation of sustainable and decent jobs. For ENDESA, collaboration among governments, the private sector, civil society and other stakeholders will be essential to achieve the climate objectives set out in the Paris Agreement following an inclusive approach.

In this context, ENDESA considers the fair transition to be part of its business model, and at the end of 2019 it signed up to the United Nations commitment on the Fair Transition under the

initiative “Climate Action for Work”. This commitment has found expression in the Futur-e projects, a unique voluntary initiative managed by means of dialogue with local communities and aimed at promoting the development of economic activities and job creation in areas where the power plants that are being closed down are located.

1.2. Corporate governance

ENDESA is well aware of the effects of climate change on its business and integrates this vision not just as an element in its environmental and climate management policy but as a weighty component in its decision-making at the business level and in determining its strategic plans, which means that decisions are taken at the highest levels of management.

ENDESA establishes its strategic plans taking into account geopolitical, regulatory and technological macro-trends, placing special emphasis on the markets in which it operates, and considering the risks and opportunities it faces (taking into account operational, technological, market and transition aspects, and physical risks, among others). Climate change and the energy transition is one of the main pillars of the Company’s strategy, and it is the Board of Directors that is responsible for its development and implementation. ENDESA’s governance structure is led by the Board of Directors, which supervises the company’s performance on climate change. The Appointments and Remuneration Committee is responsible, among other things, for proposing to the Board of Directors the appointment of directors and the Remuneration Policy. Through this committee, objectives for reducing CO₂ emissions linked to variable remuneration are approved and monitored, along with the initiatives that make it possible to achieve this reduction, included in the company’s Strategic Plan. ENDESA has established an incentive system for its executives related to the Company’s performance in the management of climate change. In the Strategic Incentive Plan, whose participants are the Executive Directors of the Company, as well as executives whose participation is considered essential in the achievement of the Strategic Plan, one of the objectives is directly linked to the reduction of specific CO₂ emissions, and attaining it determines 10% of the incentive. This objective is reviewed annually, with each long-term incentive plan, the last objective set at the closing date of this report being that corresponding to the 2020-2022 Plan, in line with the industrial objectives contained in the 2020-2022 Strategic Plan.

The Audit and Compliance Committee is responsible for overseeing and controlling the processes of preparation and presentation of financial and non-financial information, the independence of the auditor and the effectiveness of the internal climate change Risk Management and Control systems. In terms of risk management, on the one hand, the business units are responsible for identifying and measuring risks, while the risk function controls and manages risks and the Internal Audit function supervises the efficiency of the risk controls established.

We would highlight the creation in 2020 of the Sustainability and Corporate Governance Committee, whose role is partly supervisory and partly advisory, counselling the Board of Directors on environmental and sustainability matters, human rights and diversity, in relation to the strategy for social action, as well as in the area of the Company’s corporate governance strategy. Its responsibilities include the review of the company’s sustainability and environmental policies, the supervision of the sustainability plan or strategy and the periodic evaluation of the degree of achievement of the objectives set.

1.3. Strategy

The effects of climate change are manifesting themselves with increasing force and the response must be global and ambitious, promoting rigorous objectives and reinforcing alliances that help combat climate change.

The intergovernmental group of experts on climate change (IPCC) issued a special report at the end of 2018 that states that to limit global warming to 1.5°C, “fast and extensive” transitions would be needed on land, energy, industry, buildings, transport and cities, and that it would be necessary

for global net CO₂ emissions of human origin to decrease by 45% compared with 2010 levels by 2030, and to continue to decrease until reaching “zero net emissions” approximately by 2050.

In 2020 ENEL, ENDESA's parent company, renewed the certification of its climate targets under the Science Based Targets Initiative (SBTi), increasing its ambition to align itself with a scenario that allows global warming to be limited to 1.5°C, and committing to reduce its specific emissions of Scope 1 greenhouse gases by 80% by 2030, taking 2017 as the reference year. Also, by 2030, ENEL has pledged to reduce by 16% its indirect emissions related to the sale of natural gas in the retail market, also taking 2017 as the reference year.

Taking the aforementioned IPCC report as a reference, and considering ENEL's SBTi-certified targets, ENDESA has defined its new Strategic Plan 2021-2023, with which it aspires to become a leader in the global transformation process and to contribute decisively to the collective objective of limiting global warming to 1.5°C, and for this reason it allocates 94% of its investment effort for that period (amounting to Euros 7.9 billion) to SDG 13 Climate Action, which will allow it to increase its installed capacity in renewables by more than 50% in 2023 compared with 2020. For more details on the strategic lines of action, see section 6 Outlook in the 2020 Consolidated Management Report.

One of ENDESA's fundamental strategic pillars is the energy transition towards total decarbonisation of electricity generation by 2050, ensuring security of supply at all times, through an emissions reduction plan that has once again been made more ambitious, and that establishes a path with intermediate milestones, until reaching an 80% reduction in specific Scope 1 emissions of CO₂ equivalent in 2030, compared with 2017, by which time 80% of the generation mix will be CO₂-free. This ambitious plan will reduce specific emissions to 150 gCO₂-eq/kWh in 2023 and below 95 gCO₂-eq/kWh in 2030, an emission level aligned with the SBTi criterion to limit the temperature increase to 1.5°C. For this, a roadmap for the progressive reduction of coal activity has been defined, involving a reduction of 99% in 2022, with mainland thermal coal generation ending in 2021 and complete cessation in 2027. In this regard, on 30 June 2020 two of the main coal plants on the mainland were closed, the Compostilla Thermal Power Plant with 1,052 MW of installed power, and the Teruel Thermal Power Plant with 1,098 MW. These closures would be joined by the closures of the As Pontes and Litoral coal-fired plants in mid-2021, in accordance with the closure requests submitted at the end of 2019, leaving only generators 3 and 4 of the Alcúdia thermal power station in operation, which would operate in a very limited way and only to guarantee the electricity supply on the island of Mallorca until a new connection cable with the mainland comes into operation.

Accompanying the applications for closure, ENDESA has voluntarily prepared and submitted an action plan for each plant to mitigate the impact caused by the decrease in activity. Called the Futur-e Plan, it aims to promote the development of economic activities and foster job creation in the areas where the two plants are located. During 2020, the evaluation process of the proposals to be developed at the Compostilla Thermal Power Plant was closed and at the end of the year the tender for the presentation of projects for the Litoral power plant site in Almería was published.

The commitment to decarbonisation also includes the objective of reducing indirect emissions relating to the sale of natural gas in the retail market by 16% by 2030 compared with 2017, an objective already established in 2019.

Accompanying the closure of the main GHG emitting centres, significant growth in renewable generation is being undertaken. ENDESA's development and management of renewable energy in Spain is carried out through ENEL Green Power España (EGPE) (100% owned by ENDESA).

At the end of 2020, ENDESA had 7,781 net installed MW of renewable power, of which 4,670 MW corresponded to large hydro, 2,423 MW to wind power, 609 MW to photovoltaic solar, 79 MW to mini hydro, and 0.5 MW to biogas plants.

| | 2019 | 2020 |
|--|--------------|--------------|
| Capacity, Spain and Portugal (MW) | 7,408 | 7,781 |
| Hydroelectric | 4,668 | 4,670 |
| Wind | 2,308 | 2,423 |
| Mini hydroelectric | 80 | 79 |
| Solar | 352 | 609 |
| Biomass | 0.5 | 0.5 |

Connection of new renewable power during 2020.

ENDESA, through Enel Green Power España (EGPE), has continued with its growth in installed renewable power despite the severe difficulties caused by the paralysis of critical segments during 2020, which has affected the planning of the development of the projects. Despite all this, ENDESA has managed to connect 391 new MW to the grid, joining the 926 MW connected during 2019. This new power corresponds to 12 new wind and photovoltaic parks and one hydroelectric repowering. These projects have been developed in the autonomous regions of Aragón, Extremadura, Andalusia, the Balearic Islands and Castilla la Mancha.

| Date | Project | Technology | Community | Power (MW) |
|---------|------------------------|---------------|--------------------------|--------------|
| May -20 | Sierra de Oriche | Wind | Aragón | 13.9 |
| Jul-20 | Dehesa de Mallen | Wind | Aragón | 3.5 |
| Jul-20 | Motilla del Palancar | Wind | Castilla la Mancha | 51.0 |
| Jul-20 | Ribarroja Gr 3 | Hydroelectric | Aragón | 1.5 |
| Aug-20 | Cañaseca | Wind | Aragón | 18.0 |
| Dec-20 | Los Gigantes | Wind | Aragón | 21.3 |
| Dec-20 | San Francisco de Borja | Wind | Aragón | 23.9 |
| Dec-20 | Augusto | Photovoltaic | Extremadura | 49.9 |
| Dec-20 | La Vega I | Photovoltaic | Andalusia | 43.2 |
| Dec-20 | La Vega II | Photovoltaic | Andalusia | 43.2 |
| Dec-20 | Sa Caseta | Photovoltaic | Balearic Islands | 21.8 |
| Dec-20 | Los Naranjos | Photovoltaic | Andalusia | 49.5 |
| Dec-20 | Las Corchas | Photovoltaic | Andalusia | 49.9 |
| | | | Total¹ | 390.7 |

¹ At 31 December 2020 and 2019 the additional capacity was 391 MW and 926 MW respectively.

All this additional power, added to the improvements in the operation and maintenance of the renewable farms and parks, has led to ENDESA's breaking its production records, both wind and solar photovoltaic this year.

Beyond the construction process and the generation of employment which the implementation of these projects involved, the development model followed by ENDESA included actions to create social value for the environments in which they are located: the CSV (Creating Shared Value) model. These initiatives are very diverse in nature and respond to the needs of each municipality, after conducting studies with local authorities.

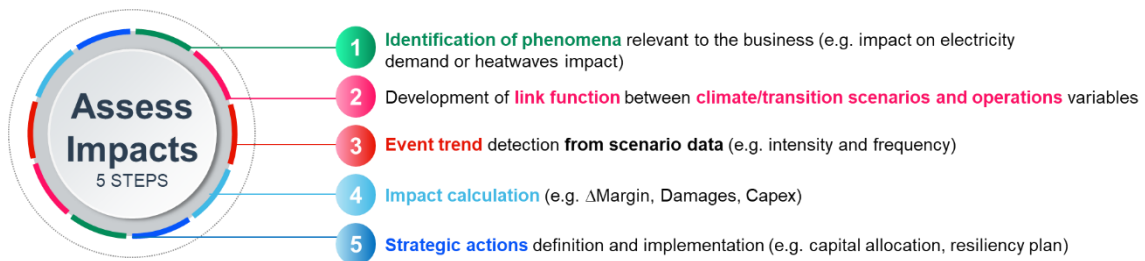
All these initiatives included within the development concept "Sustainable construction site", include job training in renewable energy for people from the municipalities, advice on energy efficiency, projects to replace lighting with LED technology, self-consumption with installation of photovoltaic panels in old people's homes and other municipal facilities, as well as local socio-cultural projects.

Expansion of the portfolio of projects in development.

In addition to all the construction efforts made this year, we must highlight the considerable push made in 2020 to increase the portfolio of renewable projects in order to meet the ambitious objectives set in the company's strategic plan. At the end of 2020 ENDESA had a portfolio of

projects with more than 7,000 MW with connection, of which approximately 70% was solar photovoltaic and 30% wind power. Additionally, more than 18 GW are available in projects with a lower level of development. Thus, the objective contained in the plan is to connect approximately 700 MW in 2021, basically new wind and photovoltaic power, 1,400 MW in 2022 and in 2023 an additional 1,700 MW up to the 3,900 MW foreseen in the 2021-2023 Plan.

With this broad development portfolio, which we will continue to work to increase in the coming months, the continuous growth of renewable capacity in the coming years is ensured in accordance with the company's strategic plan and the possibility of concluding commercial agreements for the sale of renewable energy is increased. This growth in the portfolio of renewable projects is key to achieving the company's decarbonisation objectives, allowing the gradual replacement of the coal-fired power that is being closed down.



1.3.1. Scenarios

ENDESA uses climate, energy and macro-economic scenarios at the short (strategic plan), medium (PNIEC) and long-term (2050) horizons, to evaluate the flexibility and resilience of its Strategic Plan. In these scenarios, the impact of climate change is of great importance, producing effects that can be analysed in terms of:

- Extreme events: heat waves, torrential rains, hurricanes, etc. and their potential impact on industrial facilities.
- Chronic phenomena: to consider gradual changes in climatic conditions such as an increase in average temperatures, a rise in sea levels, etc. affecting the production of power plants, and consumption profiles.
- Transition: from different sectors to a green economy, characterised by being more decarbonised.

The aspects related to the projections of the climatic variables, in terms of chronic phenomena and extreme events, define the physical scenarios, and the aspects related to the industrial and economic transition towards decarbonised solutions define the transition scenarios. These scenarios are built with the objective of having a reference framework that ensures consistency between climate projections and transition assumptions.

The adoption of the aforementioned scenarios and their integration into the ordinary management of the company, as recommended by the TCFD, allows the evaluation of the risks and opportunities associated with climate change.

The acquisition and processing of the large volume of data obtained from the application of the scenarios, as well as the identification of the methodologies and metrics necessary to interpret complex phenomena, requires a continuous dialogue with both external and internal experts. To this end, at the Enel Group level, we work with a platform approach, providing the tools that guarantee solid and accessible information for all. The process that translates the conclusions of the application of the scenarios into useful information for industrial and strategic decisions can be summarised in five steps:

1.3.1.1. Physical scenarios

For physical risks, climate scenarios published in the Fifth report of the Intergovernmental Panel on Climate Change (IPCC) are used, specifically:

- Representative Concentration Pathway (RCP) 2.6: scenario aligned with a global increase in temperature of 1.5°C in 2100 compared with pre-industrial levels (1850-1900).
- Representative Concentration Pathway 4.5 (RCP 4.5): intermediate scenario that estimates that the global increase in temperature with respect to pre-industrial levels will be about 2.4°C in the period 2081-2100. This scenario has been considered as the most representative of the current climate and geopolitical context at a global level.
- Representative Concentration Pathway 8.5 (RCP 8.5): scenario that considers that no specific measures will be carried out to combat climate change. In this scenario, it is estimated that the global increase in temperature compared with pre-industrial levels will be around 4.3°C in the period 2081-2100.

The RCP 8.5 scenario is considered the most adverse one, and has been used to evaluate the consequences of climate impacts in an extreme scenario, which is currently considered to be unlikely to occur. Scenario RCP 2.6 is used to assess the consequences of climate impacts associated with an energy transition that achieves ambitious mitigation targets.

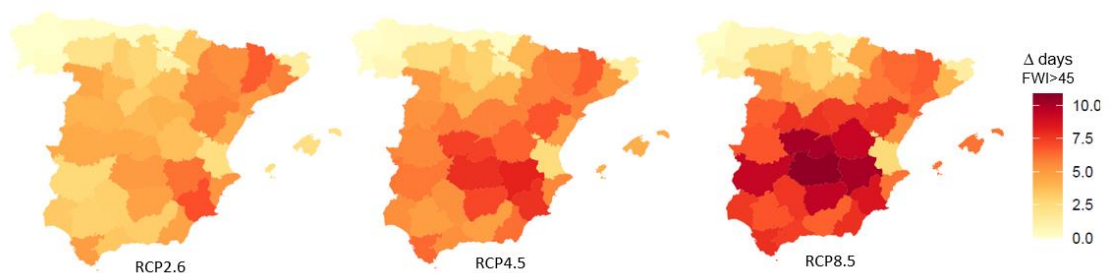
According to the climatic projections according to the RCP 8.5 scenario, the Mediterranean region will suffer an increase in the average temperature and a decrease in rainfall, effects that will be more pronounced in the second half of the century. According to the climatic projections of the RCP 2.6 scenario, the effects will be analogous, but less intense, with a less pronounced trend in the second half of the century, noting a large difference between the estimated effects of both scenarios in 2100.

The scenarios used are global, so in order to define the effects at the level of the specific areas in which the ENEL Group carries out its activity, we have had the collaboration of the Earth Sciences department of the International Centre for Theoretical Physics (ICTP) in Trieste. The work carried out by the ICTP has made it possible to have projections of the most important climatic variables with a resolution equivalent to a grid of between 12 and 100 square kilometres for a time horizon between 2030 and 2050. The main variables considered are temperature, precipitation and solar radiation. To achieve a more robust analysis, we are currently working on the basis of a combination of three regional climate models, the one defined by the ICTP plus two others selected from the most representative of the climate models referred to in the specialised literature.

The work carried out with the climatic scenarios considers both chronic phenomena and extreme events. The analysis of certain aspects depends not only on climate projections, but also on the characteristics of the territory, so it is necessary to make a more specific modelling to achieve a representation with high resolution. To achieve this, in a complementary way to the climate scenarios developed by the ITCP, Natural Hazard maps are used. Thanks to the use of these maps, it is possible to obtain, with a high spatial resolution, the expected frequencies for a series of climatic events such as storms, hurricanes or floods. The conclusions of this type of analysis using historical series are being used to optimise the strategy in the field of insurance. Work is currently being done to integrate these conclusions with the projections of the climate scenarios.

The work carried out in 2019 and 2020 has allowed the following conclusions to be drawn regarding the territories in which ENDESA operates:

- Extreme events: in the 2030-2050 period, heat waves are expected to increase in frequency, and to be more marked in the southern area. Extreme rainfall will increase in intensity, but will decrease in frequency, while extreme snowfall will remain in the same geographic areas as today, but could significantly decrease in frequency, and also in intensity. Regarding the risk of fire, an increase in the number of days with extreme risk compared with the historical average is estimated, an increase that will be more marked in the RCP 8.5 scenario than in RCP 2.6.

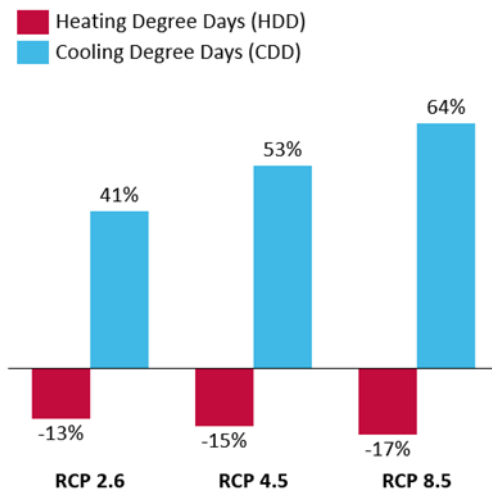


Average number of days with extreme fire risk: differential between RCP scenarios and historical period.

- Chronic phenomena: an increase in the average annual temperature is expected in the period 2030-2050 in all the RCP scenarios. For the RCP 8.5 scenario, it is estimated that the average temperature increase in said period will be about 1.4°C with respect to the pre-industrial period (with a value in the range of 1.2°C to 1.8°C). For the RCP 4.5 scenario, an average temperature increase is estimated for the same period of about 1.2°C (value in the range of 1°C to 1.5°C), and for the RCP 2.6 scenario the expected increase is 1°C (value between 0.8° C and 1.3° C). The differences between the RCP 2.6, RCP 4.5 and RCP 8.5 scenarios increase significantly in the second half of the century. Air conditioning needs are estimated based on the evolution of “Heating Degree Days” (HDD)¹ and “Cooling Degree Days” (CDD)². In the 2030-2050 period, this varies between a 13% reduction in HDD and a 41% increase in CDD in the RCP 2.6 scenario and a 17% reduction in HDD and a 64% increase in CDD in the RCP 8.5 scenario.

¹Heating Degree Days (HDD): annual summation of the difference between the interior temperature (estimated at 18°C) and the exterior temperature, considering all the days of the year that have an exterior temperature lower than or equal to 15°C.

²Cooling Degree Days (CDD): annual summation of the difference between the interior temperature (estimated at 21°C) and the exterior temperature, considering all the days of the year that have an exterior temperature greater than or equal to 24°C.



It should be noted that ENDESA has been a pioneer in the use of climate scenarios. In 2009, it launched its first project in order to analyse and assess the vulnerability of all its businesses and facilities globally, which is why it was chosen by the former Ministry of Agriculture and Fisheries, Food and Environment (currently the Ministry for Transition Ecological and the Demographic Challenge) as a representative of the energy sector for the ADAPTA I and II initiative. After this, ENDESA has continued to look in-depth at the subject, participating in multiple international initiatives and developing projects related to different fields.

See detail in section 1.4.2. Adaptation to climate change of this chapter

1.3.1.2. Transition scenarios

The transition scenario represents the trends in the production and consumption of energy in the various different sectors in an economic, social and regulatory context consistent with the trend in GHG emissions and therefore related to the climate scenarios.

In this regard, the ENEL Group develops transition scenarios which, starting out from the assumptions about the evolution of the context, allow projections to be made of energy demand, electricity demand, production of electrical energy, penetration of renewables, electric vehicles, etc. and in general all the relevant variables that characterise an energy system, and therefore the activities carried out by the company.

Regarding the assumptions established to define the transition scenarios, we should highlight:

- The assumptions relating to the regulatory context regarding climate change, which regulate aspects such as the reduction of CO₂ emissions, the efficiency of the energy system, the decarbonisation of the electricity sector, the reduction of oil consumption, etc.
- The macro-economic and energy context (for example, in terms of GDP, population and commodity prices), considering international references such as the International Energy Agency (IEA), Bloomberg New Energy Finance (BNEF), the International Institute for Applied Systems Analysis (IIASA), etc.

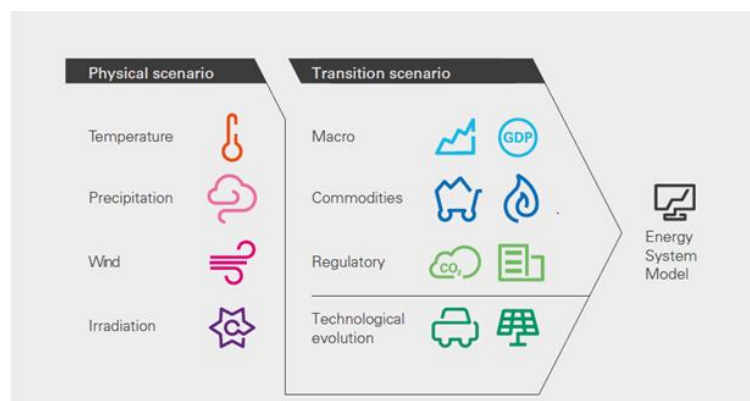
Based on these assumptions, the reference framework used by the Group to carry out the impact analysis of climate and transition risks and opportunities considers two scenarios: one inertial (*Reference*), built on the basis of existing or planned policies, as well as on internal assumptions regarding the evolution of the variables of interest, and another more ambitious one (*Brighter Future*), consistent with the Paris Agreement, which considers more ambitious objectives in terms of reducing CO₂ emissions or increasing efficiency, as well as the possible acceleration in the

reduction of costs of certain technologies. This second scenario estimates an incremental growth in the generation of electricity from renewable sources, as well as a higher demand for electricity due to a greater electrification of final consumption.

For the elaboration of transition scenarios in the main countries in which it operates, the Group builds quantitative tools that, based on the assumptions about the evolution of policies, technologies and other context variables, allow projection of energy demand, electricity demand, penetration of renewables, electric vehicles, etc. - in short, the set of relevant variables that characterise the national energy system with respect to the Group's activities.

The case of Spain constitutes a particular case of the general methodology used at the Group level, since the 2021-2030 PNIEC presented by the Spanish Government involves a level of ambition consistent with the Paris Agreement and, therefore with climate scenario RCP 2.6. In this way, the *Brighter Future* scenario should be considered a refinement based on a higher level of electrification compared with that foreseen in the PNIEC 2021-2030.

The *Brighter Future* scenario foresees higher rates of penetration of electrical energy and the consequent improvement in efficiency levels. In particular, the significant increase in electric vehicles and heating/cooling systems based on heat pumps, determine an increase in demand of 4% in 2030 compared with the Reference scenario, which it is estimated will have positive effects on sales of both electricity and the value-added services offered by ENDESA X. The greater penetration of heat pumps could generate a reduction in gas sales in the general public segment due to the gradual electrification of its consumption; however, it is estimated that the overall effect should be positive from the point of view of EBITDA, also accompanied by a reduction in PNIEC CO₂ emissions, for which ENDESA has set a target in its Scope 3.



1.4. Risk management

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ENDESA has a General Risk Management and Control Policy, approved by the Board of Directors. This policy establishes the basic principles and the general framework for the control and management of risks of all kinds that might affect the attainment of the objectives, ensuring that they are identified, analysed, evaluated, managed and controlled systematically and within the levels of risk established. The General Risk Management and Control Policy identifies the different types of risk, financial and non-financial (among others, operational, technological, legal, social, environmental, including those related to climate change, political and reputational, including those related to corruption) that the Company faces, including among financial or economic risks contingent liabilities and other off-balance sheet risks.

For more information on risk management, see the General Risk Management and Control Policy published on the company's website (<https://www.endesa.com/en/shareholders-and-investors/corporate-governance/corporate-policies>)

The process of identifying risks and opportunities includes those related to climate change: transition risks, risks relating to regulation, new technologies, change in the market and reputation, and those relating to the potential physical effects of climate change.

All organisational levels are involved in the process of identifying and assessing risks, in a coordinated manner and directed by the Company's risk control system. Each line of business and facility identifies and evaluates the risks and opportunities that arise from its activities, including those derived from its geographical location. Specifically for climate change, risks are assessed based on established levels of risk tolerance, considering: exposure (climate impacts that could affect facilities), sensitivity (potential effects and their consequences for business or facilities), and vulnerability (ability to adapt to overcome the impacts of climate change in view of financial, technological and knowledge-related requirements).

Climate change and the energy transition will have an effect on ENDESA's activities. As recommended by the TCFD, to identify the different types of risks and opportunities and their impacts on the company's different businesses, ENDESA has defined a reference framework. The risks are classified as physical and transitional. Physical risks are in turn classified as acute (extreme events) and chronic. The former occur as a consequence of extremely intense climatic conditions, and the latter are related to gradual and structural changes in climatic conditions. Extreme events expose ENDESA to potential unavailability, of variable duration, in facilities and infrastructure, repair costs, impact on customers, etc. The chronic change in weather conditions exposes ENDESA to other risks and opportunities, such as changes in the production regime of different technologies, as well as changes in electricity demand. In reference to the energy transition process towards a more sustainable model characterised by a progressive reduction in CO₂ emissions, risks and opportunities are identified linked to both the regulatory and regulatory context, and the evolution of technological development, electrification and consequent market developments.

In line with what we foresee in the climate and transition scenarios adopted for defining risks and opportunities, we are starting to see changes in customer behaviour, industrial strategies in the various economic sectors, and regulatory changes. ENDESA wants to play an active role in the transition, and therefore defines facilitating actions in its Strategic Plan, with the aim of making the most of the opportunities that arise, identified thanks to the analyses carried out based on scenarios. All this means that 94% of the investments foreseen in the Strategic Plan are earmarked for climate actions.

| Scenario | Risk and opportunity category | Time horizon | Description | Description of the impact | Management mode |
|-----------------------|-------------------------------|-------------------------------|---|---|---|
| Acute physical change | Extreme events | In the short term (1-3 years) | Risk: extreme (intense) weather events | Extreme events can have an impact in terms of damage to facilities and reduced availability | ENDESA adopts the best practices for incident management. Regarding risk management from an insurance point of view, the company manages a Loss Prevention programme for property risks, also aimed at evaluating the main exposure factors associated with natural events. In the future, changes in climate evolution that are expected to manifest from the medium term will also be considered in the evaluation. |
| Chronic physical | Chronic physical | In the long term (2030-2050) | Risk/Opportunity: increase or decrease in electricity production and demand | Electricity demand is influenced by temperature, variations in which can have an impact on results. | Geographical and technological diversity allows the impact of variations (positive or negative) in a single variable to be mitigated. In order to adequately manage the impact of weather phenomena, weather forecasting activities, supervision and control of the facilities in real time, and long-term climate scenarios are implemented. |

| Scenario | Risk and opportunity category | Time horizon | Description | Description of the impact | Management mode |
|------------|-------------------------------|--------------------------------|---|---|---|
| Transition | Policies regulation and | In the medium term (2022-2030) | Risk / opportunity: policies on price and CO2 emissions; incentives for the energy transition; resilience-related regulation | The effects of the policy on energy transition and resilience may have an impact on investments | ENDESA minimises exposure to risks through the progressive decarbonisation of its production system. ENDESA's strategic actions mitigate potential risks and take advantage of the opportunities associated with the energy transition. |
| Transition | Market | In the medium term (2022-2030) | Risk / opportunity: changes in the price of commodity and energy; evolution of the energy mix; change in consumption in the residential sector | Considering two alternative transition scenarios, ENDESA evaluates the effects of evolution in terms of the penetration of renewables in the energy mix and electrification to assess potential impacts | ENDESA maximises opportunities thanks to a strategy geared towards the energy transition, strong development of renewable production and a clear commitment to the electrification of demand. |
| Transition | Products and services | In the medium term (2022-2030) | Opportunity: higher margins and greater investment capacity as a result of the transition, considering the penetration of new electrical technologies for domestic consumption and electric transport | The evolution of transportation and residential electrification will have potential impacts on the business | ENDESA maximises opportunities through a strong strategic positioning on new business opportunities and services. |
| | Technology | In the medium term (2022-2030) | | Considering two alternative transition scenarios, ENDESA evaluates, on the basis of the evolution of transport electrification, the potential opportunities to increase its investments | ENDESA maximises opportunities thanks to a strong strategic positioning on electrical infrastructure. |

ENDESA establishes its Strategic Plan with the aim of minimising risks and maximising opportunities, considering the medium and long-term phenomena identified for its conception.

The reference framework for risks and opportunities included in the previous table shows the relationships between physical scenarios, transition scenarios and the factors that influence ENDESA's business. Such effects, related to the described scenario phenomena, materialise in different time horizons, which leads to evaluate their impact on three time horizons:

- Short term (1-3 years) in which sensitivity analyses can be made based on the Strategic Plan presented to the markets on 25 November 2020.
- Medium term (until 2030) in which it is possible to appreciate the effect of the energy transition.
- Long term (2030-2050) in which chronic structural changes at climate level should begin to manifest.

The following sections describe the main risks and opportunities identified, as well as the adaptation measures and best operational practices put in place for the management of such weather phenomena as may arise.

1.4.1. Chronic and acute physical risks and opportunities.

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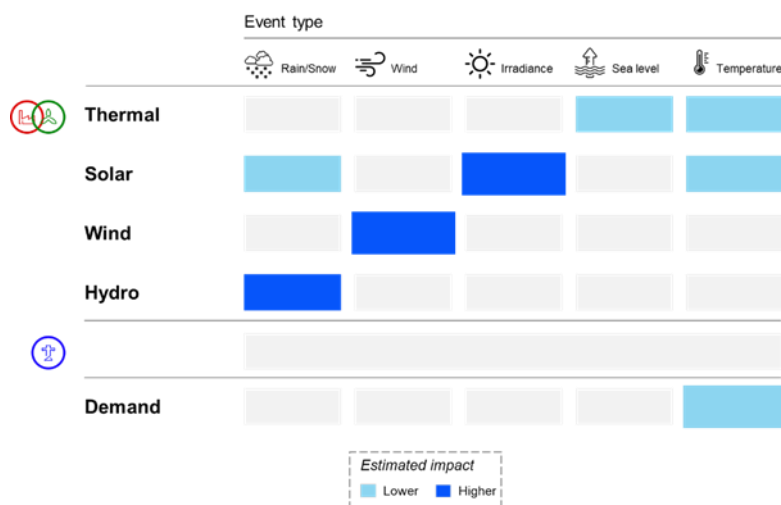
In reference to the risks and opportunities associated with the physical variables, and taking as a reference the scenarios defined by the IPCC, we attempt to evaluate the evolution of the following variables and the operational and industrial phenomena as potential risks and opportunities:

Chronic physical changes and associated potential risks and opportunities.

From the scenarios prepared together with the Earth Sciences Department of the ICTP, it can be inferred that there is no evidence of significant changes before 2030 and that variations could begin to be seen in the period from 2030 to 2050. The main impacts as a consequence of chronic physical changes would be seen in the following variables:

- **Electricity Demand:** variation of the average temperature level with a potential effect (increase/decrease) on electricity demand.
- **Thermoelectric production:** variation of the average level of temperature of bodies of water, with effects on thermoelectric production.
- **Hydroelectric production:** variation in average levels of precipitation and temperatures with potential increase and/or decrease in hydroelectric production.
- **Photovoltaic production:** variation in the average level of solar radiation, temperature and rainfall with potential increase and/or decrease in photovoltaic production.
- **Wind production:** variation in mean levels of wind strength and frequency, with potential increase and/or decrease in wind production.

An identification of the impacts related to the most relevant chronic physical changes for each generation technology has been carried out, and an analysis has been started to determine the impact on their production, taking into account the facilities individually.



Acute physical changes and associated potential risks and opportunities.

The intensity and frequency of acute physical phenomena, extreme events, can cause significant and unexpected damage to facilities, and potential consequences derived from service interruption.

Acute physical phenomena (gales, floods, heat waves, cold snaps, etc.) are characterised by high intensity and a moderate frequency of occurrence in the short term, but with an upward trend in long-term climate scenarios.

Risk assessment methodology for extreme events.

To quantify the risk in the face of extreme events, ENDESA uses a consolidated catastrophic risk analysis methodology, used in the insurance field and also in IPCC reports.³

The methodology can be applied to all analysable extreme events, such as gales, heat waves, floods, etc. All types of natural catastrophe are taken into account:

- **The probability of the event (Hazard)**, i.e. the theoretical frequency in a given period, the 'return period'.
- **Vulnerability**, which indicates, in percentage terms, the value lost or affected as a consequence of the extreme event. This allows both the effects on the facilities and the impact on the continuity of the service to be taken into account, both in production and in distribution. ENDESA carries out vulnerability analyses of its facilities, which allow it to define a matrix that relates the types of facilities with the extreme events that might significantly affect them.
- **Exposure** is the set of economic values, present in ENDESA's portfolio, which may be affected in a non-negligible way in the event of catastrophic natural events. Also for this parameter, specific analyses are carried out for the different production technologies, for the distribution infrastructures and for the services provided to the end customer.

The set of three factors (hazard vulnerability and exposure) constitute the fundamental element for the assessment of the relevant risk as a consequence of extreme events. Considering the climate scenarios, ENDESA differentiates the risk analysis considering the different time horizons. The following table summarises the scheme considered for evaluating the impact as a consequence of extreme events.

| Time horizon | Hazard | Vulnerability | Exposure |
|------------------------------------|--|---|---|
| Short term (1-3 years) | Probability maps based on historical series and meteorological models | Vulnerability is related to the type of event, and to the technology, and is fairly independent of the time horizon | ENDESA's values in the short term |
| Long term (until 2050 and/or 2100) | Probability maps and specific studies for the different IPCC RCP climate scenarios | | Evolution of ENDESA's values in the long term |

³ L. Wilson, "Industrial Safety and Risk Management". University of Alberta Press.

T. Bernold. "Industrial Risk Management". Elsevier Science Ltd.

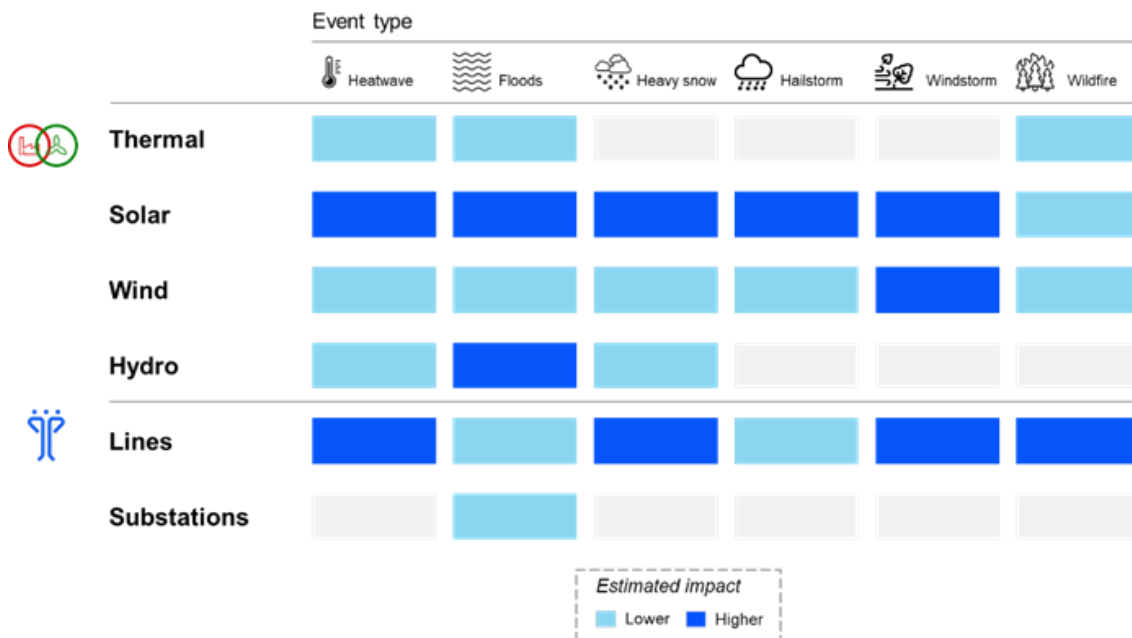
Kumamoto, H. and Henley, E.J., 1996, Probabilistic Risk Assessment and Management for Engineers and Scientists, IEEE Press, ISBN 0-7803100-47

Nasim Uddin, Alfredo H.S. Ang. (eds.), 2012, Quantitative Risk Assessment (QRA) for Natural Hazards, American Society of Civil Engineers CDRM Monograph no. 5

UNISDR, 2011. Global Assessment Report on Disaster Risk Reduction: Revealing Risk, Redefining Development. United Nations International Strategy for Disaster Reduction. Geneva, Switzerland.

Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation - A Special Report of Working Groups I-II of the Intergovernmental Panel on Climate Change (IPCC). Cambridge University Press, Cambridge, UK, and New York, NY, USA.

The image shows vulnerability to different extreme events of the different types of installations present in ENDESA's portfolio:



The analysis carried out based on the scenarios allows us to conclude that chronic physical changes in the trend of physical variables will be seen from 2030. In any case, in order to have a rough estimate of the potential impacts, it is possible to perform a stress test of the industrial plan based on factors potentially influenced by the physical scenario, without taking into account their direct relationship with climatic variables. For example, annual variations of +/-1% in electricity demand, considering the potential impacts on the entire business, would produce a small effect, less than Euros 30 million per year (with a positive or negative sign). Regarding renewable production, a positive or negative variation of 10% in a single year, stressed separately at the level of each technology, would have a marginal effect: for each technology the impacts would be less than Euros 30 million (with positive or negative sign). These data refer to the impact over a single year for a single production technology, and include both the volume and price effect.

Insurance

ENEL annually defines insurance coverage programmes for its different businesses, which cover all the Group's subsidiaries, including ENDESA. The two main programmes are:

- **The Global Property Programme** which covers, within the terms of the policies, the costs of rebuilding the affected facility, and the economic loss as a result of the facility's being out of action.
- **The Global Liability Programme** which covers, within the conditions of the policy, damage to third parties for which ENEL is civilly liable for the development of the activity.

The conditions of the policies are defined based on an appropriate risk assessment, including extreme events associated with climate change. As seen with past events, the impact of extreme events on ENDESA's activity may be significant.

In any case, the actions that ENDESA carries out in the area of preventive maintenance of generation and distribution facilities are also important and necessary. These actions allow, on

the one hand, the impact of extreme events to be mitigated, and on the other the costs of global insurance programmes to be optimised.

1.4.2. Adaptation to climate change

1.4.2.1. Management of the risk of extreme events in the short term.

In the short term (1-3 years) ENDESA, in addition to the risk assessment and quantification measures explained previous sections, is launching actions with the aim of reducing the impact of extreme events on its businesses.

Generation

The following initiatives stand out:

- Improvement of cooling water management systems to compensate for possible flow reductions in rivers.
- Actions (“Fogging Systems”) to improve air flow and compensate for the reduction in power as a consequence of the increase in ambient temperature.
- Installation of pumps for drainage, periodic cleaning of channels and other actions with the aim of eliminating risks of landslides as a result of torrential rains or floods.
- Periodic reassessment of torrential rain and flood scenarios for hydroelectric facilities. The scenarios are managed through mitigation actions and interventions on the facilities.

Likewise, a series of good practices have been adopted for the appropriate management of adverse weather phenomena:

- **Weather forecasts** to monitor the availability of renewable resources and occurrence of extreme events, with warning systems to ensure the protection of people and facilities.
- **Hydrological simulations, topographical surveys** (including with drones) and **monitoring of possible vulnerabilities** by means of digital GIS (Geographic Information Systems).
- **Advanced supervision** of more than 100,000 parameters (with more than 160 million historical measurements) taken in reservoirs and hydraulic civil works.
- **Remote real-time supervision** of electrical production facilities.
- **Adoption of specific guidelines** for the execution of hydrological and hydraulic studies in the initial phases of development, with the aim of evaluating risks both in the area of the installation and in the surrounding areas.
- **Estimation of extreme wind speeds** using updated databases that contain records of historical series of gales, in order to choose the most suitable wind turbine technology for the sites.

In addition, in order to react quickly to adverse events, ENDESA adopts specific procedures for managing emergencies with real-time communication protocols, planning and management of all activities to resume activity safely in the shortest possible time, and predefined lists for damage evaluation.

Distribution





For the management of extreme weather events, ENDESA has adopted a “4R” approach that defines the measures to be adopted both in the preparation phase for an emergency, and in the subsequent commissioning phase after the facilities have been damaged by an extreme event.

This management is set out in Policy 486 (4R Innovative Resilience Strategy for power distribution networks) and is defined through four phases of action:

- 1) **Risk prevention:** includes actions that reduce the probability of losing network elements as a result of an event, and/or minimise its impact, and includes actions with the aim of increasing the robustness of infrastructures, as well as maintenance actions.
- 2) **Readiness:** includes all actions that aim to improve the immediacy with which a potentially critical event is identified, and ensure coordination with Civil Protection and local administration, as well as to organise resources once the service failure has occurred.
- 3) **Response:** includes the evaluation phase of the operational capacity to face an emergency once the extreme event occurs, considering both the ability to mobilise operational resources on the ground, as well as the possibility of carrying out remote-controlled feedback manoeuvres through back-up connections.
- 4) **Recovery:** it is the last phase, which aims to return the network to service, as soon as possible, under normal operating conditions, in those cases in which the extreme event has caused service interruptions despite all the preventive measures adopted.

The distribution business has adopted various policies and specific actions to integrate the various aspects and risks relating to climate change.

- Policy 1073 (Guidelines for Readiness, Response and Recovery Actions during Emergencies) includes guidelines for the final three phases of the 4R management approach.
- Policy 387 (*Guideline for Network Resilience Enhancement Plan*) aims to determine the actions to be carried out to minimise the impact on the network of extreme events, based on operating history.
- Policy 439 (*Measures for Risk Prevention and Preparation in case of wildfires affecting the electrical installations*) sets out an integrated approach to emergency management applied to fires in wooded areas, whether originated by the network or by external causes.
- Support actions: implementation of weather forecast systems, supervision of the state of the network, preparation of operational plans and conducting drills. We would highlight the fact that agreements have been reached to mobilise extraordinary resources (internal and from contractors) to face emergency situations.

| Eventos extremos prioritarios | Incendio  | Olas de calor  | Manguito de hielo  | Vendavales  |
|-------------------------------|---|--|---|---|
| Policy | ✓ Policy 486 ✓ Policy 1073 ✓ Policy 439 | ✓ Policy 486 ✓ Policy 1073 ✓ Policy 387 | ✓ Policy 486 ✓ Policy 1073 ✓ Policy 387 | ✓ Policy 486 ✓ Policy 1073 ✓ Policy 387 |

In addition to the protocols provided for situations that arise in the short term, in collaboration with research organisations, we are analysing the impact on the network in the short/long term of extreme events identified as significant (heat waves, wildfires, weather bombs, etc.)

Heat waves

- During 2020 the impact analysis began, brought about by the increased number of days with high temperatures and no rainfall, which makes it difficult to evacuate heat from underground lines, and causes an anomalous increase in the risk of breakdown in the grid, especially in urban and tourist areas. The Spanish distribution network contains relatively very few underground lines, and an initial analysis of its operating history did not reveal a significant correlation between heat waves and failures in the grid.

Fires

- In relation to the risk of fires, and despite the fact that the events suffered to date have not been very significant, a detailed analysis is being carried out in the scenarios for the 2030-2050 period.

1.4.2.2. *Generation of knowledge on adaptation.*

October 2020 saw the publication of the National Plan for Adaptation to Climate Change (PNACC) 2021-2030, which constitutes the basic planning instrument to promote coordinated action to face the effects of climate change in Spain. Its main objective is to avoid or reduce present and future damage deriving from climate change and to build a more resilient economy and society, incorporating new international commitments and considering the most recent knowledge on the risks deriving from climate change, taking advantage of the experience obtained in the development of the PNACC 2013-2020. The recently published PNACC defines objectives, criteria, areas of work and lines of action to promote adaptation and resilience to climate change.

Using the same criteria and in a complementary way to the analysis of physical risks associated with climate change, and their management, ENDESA has been working on adaptation to climate change for years. In 2011, it began to develop the project "Towards a strategy for adaptation to climate change" which consisted of an analysis of vulnerability to climate change of all the Company's facilities globally. To date, ENDESA has built up extensive experience in the matter, including public-private collaborations with numerous entities ranging from universities to the Administration itself.

ENDESA developed the first vulnerability project for its facilities, selected by the Spanish Office for Climate Change (OECC), of the Ministry for the Ecological Transition and the Demographic Challenge, as the representative of the energy sector for the ADAPTA INITIATIVE. A programme to develop tools that allow the incorporation of risk and vulnerability to climate change in the business strategies of the basic sectors of Spanish society (energy, tourism, construction, agriculture and transport). Since then, the company has continued to make significant efforts to develop projects in the field of adaptation to climate change, with the intention of advancing its knowledge on the matter and applying the results to optimise the management of its businesses. The most significant projects developed in the field are listed below:

HIDSOS IV Project: sustainability of water resources under global change (2016)

Developed in collaboration with the Catalan Institute for Water Research (ICRA), it contributed to the assessment of the effects of global change on the hydrological resources available for electricity generation.

Water reservoirs and climate change (2016)

Developed in collaboration with FLUMEN (UPC + CIMNE), the project pursued the objective of studying and evaluating the impact of global change (climate change plus change in water resources and land use) on the design and operation of the company's hydroelectric plants.

Adaptation to climate change in ENDESA's distribution business (2016-2017)

The objective of the project was to identify and evaluate the most significant impacts of climate change on the electricity distribution infrastructure, its monetisation and use of the information collected to optimise its management.

RESCCUE Project (2016-2020)

ENDESA continued during 2020 with its participation in the first major European project on the subject, recently completed, focusing on innovation and urban resilience in the face of climate change. It was carried out in three European cities, Barcelona, Lisbon and Bristol, with the aim of evaluating the impact of climate change on the operation of essential services in cities, such as energy and water supply, and providing practical and innovative models and instruments to serve as a catalyst in the field of urban resilience and as a starting point of reference in Europe to move towards more resilient cities in the face of climate change.

Prominent among the broad results obtained by RESCCUE were the identification of four climate threats (floods, droughts, rise in sea levels and water quality), and the better understanding of the links among urban services to face climate events. Some results that will be used to plan climate adaptation actions, such as the implementation of different systems based on nature to retain a greater amount of water during future extreme and moderate rain events, and a tool to predict failures in the electricity network in the event of flooding, reducing the impacts produced by extreme meteorological phenomena.

In Barcelona, the climate data obtained showed that phenomena such as extreme rainfall, heat waves and droughts could experience significant increases due to an acceleration of the hydrological cycle. In this way, RESCCUE has provided the knowledge and information necessary to update and improve its 2018-2030 Climate Plan.

Finally, it should be noted that ENDESA continues to participate in the main national and international forums on the matter, such as the Continuous Working Group of the National Environment Congress (CONAMA) on Adaptation to Climate Change, which will present the results of the work of the last two years in the next edition of the Congress, which is scheduled to be held in April 2021.

1.4.3. Transition risks and opportunities

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In identifying the risks and opportunities presented by transition, both the evolution of the current situation up to the reference scenario that constitutes the PNIEC, and an increase in the level of electrification, in line with the Brighter Future scenario, have been considered. The following paragraphs describe the main risks and opportunities identified in relation to the transition scenarios.

Policy and regulation

- Emissions and price of carbon dioxide (CO₂): Introduction of regulations to achieve the transition and the Paris Agreement, introducing stricter emission limits and/or requirements for the electricity generation portfolio not guided by price signals; regulatory interventions on carbon pricing mechanisms, carbon tax in non-ETS sectors, or expansion of the ETS.
 - Opportunities: mechanisms to strengthen the CO₂ market with stable price signals. Risks: control-and-command regulatory adjustments to CO₂ leading to price instability.
- Development of renewable energy and energy efficiency: use of low-emission energy sources as the main basis of the country's energy mix, with incentives and opportunities for the development of renewable sources, energy efficiency and flexibility of the electricity and energy system and positive impacts in terms of ROI and new business opportunities.

- Opportunities: positive externalities in volumes and investment margins. The PNIEC for 2021-2030 sets an ambitious target for the penetration of renewables, foresees that in 2030 74% of the total electricity generation will be of renewable origin, consistent with a trajectory towards a 100% renewable electricity sector in 2050, and complemented by increasing growing additional power in storage. Likewise, in terms of energy efficiency, which is one of the pillars of the PNIEC, an improvement target of 39.5% is set in 2030.
- Risks: difficulty in developing projects due to situations such lack of access to the network, obtaining environmental permits, etc.
- Regulation on resilience to improve standards, or introduction of ad hoc mechanisms to regulate investment in resilience.
 - Opportunities: benefits associated with the allocation of investments aimed at reducing the risks of quality and continuity of service for customers.
 - Risks: impact on reputation derived from damage and service replacement times in the event of extreme events. Possible penalties associated with a lack of adequate response regarding service replacement after an extreme event.
- Policies to incentivise the transition in financial matters: the new EU Recovery Plan, the ultimate goal of which is to help Member States cope with the economic and social repercussions of the COVID-19 pandemic. Spain will receive close to Euros 140 billion, of which Euros 72 billion will be outright grants and a minimum of 30% of this fund (Euros 42 billion) will be used to decarbonise the economy.
 - Opportunities: positive externalities in terms of lower financing costs and greater investment capacity.
 - Risks: incentives for less mature technologies, which diminishes support for electrification by reducing the competitive advantage of the technologies adopted by ENDESA.

Market

- Market dynamics, such as those related to the variability of prices of raw materials, the increase in electricity consumption due to the energy transition, and the penetration of renewables have an impact on trading parameters, notably on margins, production volumes and sales.
 - Opportunities: the positive effects derived from the increased demand for electricity and the greater space for renewable energy have positive effects on the volumes and returns on investment.
 - Risks: exposure of “merchant” technologies to the volatility of market prices.

Technology

- Progressive penetration of new technologies such as storage, demand response and green hydrogen; digital lever to transform operating models and platform business models.
 - Opportunities: investments in the development of technological solutions.

Electricity grids play a leading role in the PNIEC as facilitators to allow the integration of new renewable capacity in the system, while at the same time facilitating flexibility and demand

management. The National Integrated Energy and Climate Plan (PNIEC) allocates 24% of the estimated investments to its development, reaching a total of Euros 58,579 million.

Products and services

- Progressive penetration of products capable of guaranteeing lower costs and less impact in terms of emissions.
 - Opportunities: increased demand for low-carbon products and services.
 - Risks: tariff structure that does not allow generating an efficient price signal to encourage the penetration of low-carbon products and services. Entry of new agents in the market.
- Electrification of the transport and residential sectors by means of the use of more efficient modes of transport and HVAC from the point of view of climate change, with particular reference to the development of electric mobility and charging infrastructures as well as greater penetration of heat pumps.
 - Opportunities: positive effects derived from the increased demand for electricity and higher margins related to the penetration of electric transport.
 - Risks: rate structure that does not allow generating an efficient price signal to encourage the electrification of transport. Entry of new agents in the market.

The PNIEC will be implemented along three paths, one of which is the electrification of the economy, which will help fulfil (among others) the objective of having renewables account for 42% of total consumption of final energy by 2030, as well as achieving a 39% reduction in diffuse GHG emissions by the same year relative to 2005. More specifically and in parallel with the development of renewable energies, the electrification of demand must contemplate a strong development of electric mobility and the use of electricity in residential heating. The PNIEC foresees that the presence of renewables in the mobility/transport sector will be a driving force behind the decarbonisation of the sector, with the number of electric vehicles expected to reach five million by 2030. Likewise, the National Integrated Energy and Climate Plan (PNIEC) incorporates ambitious plans for the renovation of residential equipment.

1.5. Metrics and objectives

1.5.1. Reporting model: Transparency

ENDESA promotes a reporting model based on transparency, with the aim of making it clear to stakeholders that its commitment and ambition in the fight against climate change is firm, determined and realistic.

1.5.2. Carbon footprint

103-1 Management Approach Emissions/103-2 Management Approach Emissions/103-3 Management Approach Emissions

On 21 January 2020 the Council of Ministers declared the climate emergency with the commitment to adopt thirty priority lines of action to combat climate change. One of the first five planned measures was to define the long-term decarbonisation path, a strategy that was approved on 3 November and that sets the path to reach climate neutrality by 2050. The path established in the Long-Term Decarbonisation Strategy (ELP 2050) will reduce GHG emissions by 90% by 2050 compared with 1990. The remaining 10% will be absorbed by carbon sinks.

ENDESA has a proven track record in the decarbonisation of its activity, with a 70% reduction in its CO₂ emissions since 2005. This path will maintain its trend thanks to the Strategic Plan 2021-2023, which establishes even more ambitious objectives than in the previous Strategic Plan, now

set for the entire Scope 1 of the company, to achieve an 80% reduction in specific emissions of CO₂ equivalent in 2030 compared with 2017, which allows it to be aligned with a scenario of maximum increase in global average temperature of 1.5°C compared with the pre-industrial period.

A roadmap has been established to achieve the total decarbonisation of the energy generation mix in 2050 and the calculation of the carbon footprint is a key instrument to achieve this since it allows a detailed inventory of GHG emissions generated by a company.

ENDESA has voluntarily calculated and verified its carbon footprint since 2009.

During 2020, ENDESA verified its Carbon Footprint for the 2019 financial year and published the corresponding report (<https://www.endesa.com/content/dam/endesa-com/home/prensa/publicaciones/otraspublicaciones/documentos/Huella-de-carbono-2019.pdf>).

ENDESA has registered its carbon footprint since 2013 and has a proven track record on emission reduction in accordance with the criteria established by the Spanish Climate Change Office.

Since registering its 2016 Footprint, it has been awarded the 'Calculate' and 'Reduce' seals. With the registration of the Carbon Footprint of 2017, the 'Compensation' seal was also activated, a recognition that has been renewed again with the registration of the Carbon Footprint of 2019, since the 'ENDESA Forest' initiative has made it possible to offset the emissions associated with employee travel and paper consumption in our buildings, in addition to those associated with the generators of the hydroelectric plants and the operation of the photovoltaic plants.

ENDESA is the first company in the Spanish energy sector that has managed to renew those three Carbon Footprint Register seals for a third consecutive year.



1.5.3. Direct and indirect Greenhouse Gas (GHG) emissions

305-1/305-2/305-3/305-5 CO₂-eq emissions Scopes 1, 2 & 3

| | CO ₂ eq (t) Scope 1 | CO ₂ eq (t) Scope 2 | CO ₂ eq (t) Scope 3 |
|------|--------------------------------|--------------------------------|--------------------------------|
| 2018 | 31,292,646 | 519,352 | 29,485,680 |
| 2019 | 17,474,762 | 460,890 | 25,359,022 |
| 2020 | 10,298,760 | 512,960 | 22,663,490 |

The results listed in the table above for the years 2018 and 2019 are the verified values. Any difference with previously published data corresponds to the fact that at the time of publication of the previous report, the external verification process was being carried out in accordance with

UNE EN ISO 14064 and the results were subject to some modification. At the date of publication of this report the calculation of ENDESA's Carbon Footprint results for 2020 is in the process of verification. ENDESA calculates and verifies its emissions according to the guidelines contained in the GHG Protocol, with the location-based approach. This international standard provides the norms and guidelines for companies and other organisations regarding the preparation of the inventory of greenhouse gas emissions.

Regarding the emissions produced in the different scopes, it is worth highlighting:

Scope 1. Direct emissions

Direct GHG emissions, meaning those that come from sources that are controlled by the company itself.

This classification includes:

- Carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O) emissions deriving from the consumption of fuels (coal, diesel, natural gas and biogas) for the production of electricity in generation plants.
- Fugitive sulphur hexafluoride (SF₆) emissions in electricity distribution facilities owned by ENDESA and in thermal and nuclear generation plants.
- Fugitive emissions of hydrofluorocarbons (HFCs) in the management of port terminals.
- Fugitive carbon dioxide (CO₂) emissions in fire extinguishing equipment in the management of port terminals.
- Fugitive emissions of methane (CH₄) in the reservoirs owned by ENDESA associated with hydroelectric generation.
- Carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O) emissions deriving from the consumption of fuels in boilers and generators in administrative activities in ENDESA buildings.
- Carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O) emissions deriving from the consumption of fuels in the Company's own fleet of vehicles.

Scope 1 decreased by more than 41% in 2020 compared with 2019. The bulk of this Scope, in ENDESA's case, comes from the use of fuels in the generation of electricity and the variation in emissions depends largely on factors such as annual rainfall, the increase or decrease in energy demand and the contribution of renewables to the energy mix.

The generation of thermal energy decreased in 2020 by more than 32% compared with 2019, leading to a reduction in absolute GHG emissions, which was also accompanied by a reduction in specific emissions, both as a consequence of the gradual phasing out of coal-fired generation thanks to ENDESA's investment efforts dedicated to transforming the business model and reducing the environmental impact of its activity as well as the particular features of 2020 brought about by the pandemic.

305-4

The intensity of CO₂ emissions is calculated from the ETS certified direct emissions from thermal generation facilities, divided by the net electricity production.

The following table shows the evolution of the intensity of emissions.

| | Absolute (metric tons of CO ₂) | Specific (kgCO ₂ / kWh) |
|------|--|------------------------------------|
| 2018 | 30,979,870 | 0.418 |
| 2019 | 17,287,446 | 0.282 |

| | | |
|------|------------|-------|
| 2020 | 10,127,953 | 0.180 |
|------|------------|-------|

In 2020 we reduced specific emissions by 36% compared with 2019 and almost 57% compared with 2018, thus announcing an acceleration on the path of decarbonisation and the energy transition.

Additionally, to demonstrate that the company's emissions reductions are on track to attain the objective set in the Strategic Plan 2021-2023 of reducing Scope 1 specific CO₂ equivalent emissions to 150 gCO₂-eq/kWh by 2023 and to below 95 gCO₂-eq/kWh by 2030, in line with the Science Based Targets initiative (SBTi) criterion for limiting the temperature increase to 1.5 °C, we calculate the intensity of Scope 1 emissions, which in 2020 was 183 gCO₂-eq/kWh.

Scope 2. Indirect emissions from energy

305-2

Scope 2 indirect emissions are those emissions deriving from the company's activity, but generated by other entities. These emissions include:

- Emissions associated with the generation of electricity necessary to compensate for the technical losses produced during the distribution of electricity not generated by ENDESA.

Scope 3. Other indirect emissions

305-3

They include the rest of the indirect emissions that are a consequence of the company's activities, but that have been generated from sources that are not owned or controlled by the company. This scope includes all those associated with the different stages of the life cycle of electricity that are not controlled by the company and that have not been included in the previous scopes.

This scope includes:

- Emissions associated with the extraction, production and transport of fuels consumed in the company's operation.
- Emissions associated with the manufacture and transport of chemical products consumed in the company's operation.
- Emissions associated with the transport and treatment of waste generated in the company's operation.
- Extraction, production, transport and use by the end user of the natural gas marketed.
- Generation of marketed electricity that has not been generated in ENDESA's own generation plants.
- Emissions associated with business trips by air, rail and rental cars.
- Emissions associated with the vehicle fleet of maintenance and facilities subcontractors (electricity distribution, renewable generation).
- Emissions associated with employees' commuting.

The limits that define the geographical scope of the Carbon Footprint are determined by:

- The location of the facilities included in the systems considered, for Scope 1 and 2 emissions.

- The countries and regions where the different stages of the life cycles that make up the indicated systems take place, as well as the marketing and sales activities for scope 3 emissions.

1.5.4. Objectives

In the 2021-2023 Strategic Plan, we set out our commitment to achieve a 100% decarbonised economy by 2050, in line with the EU objectives of combating climate change:

- Reduce specific scope 1 CO₂ equivalent emissions by 80% by 2030 compared with 2017 enabling us to stay aligned with a scenario of a maximum increase in global average temperature of 1.5°C compared with the pre-industrial period.
- Increase renewable generation facilities from the current 7.7 GW to 11.5 GW in 2023, with an associated investment of some Euros 3 billion and the aspiration to exceed 18 GW in 2030 with an investment of approximately Euros 10 billion.

This will allow us to reach generation which is 80% CO₂ emission-free by 2030.

In the short term, the Strategic Plan for 2021-2023 increases investment by 25% to Euros 7.9 billion to accelerate decarbonisation and digitisation.

This significant increase in investment focuses on renewable energies and digitalisation of the grid, as well as on the electrification of residential demand and demand from sectors such as industry and transport, streamlining the path to decarbonisation and the energy transition.

1.6. Transparency and recognition

1.6.1. Carbon Disclosure Project

ENDESA, in its commitment to the environment, participates voluntarily in the Carbon Disclosure Project (CDP).

CDP is an international, non-profit organisation whose objective is to provide the largest and most comprehensive global environmental dissemination system, allowing investors, companies, authorities and governments to mitigate risks in the use of energy and natural resources, as well as to identify opportunities for a more responsible approach to the environment.

In 2020, more than 515 institutional investors with assets worth US\$106 trillion, and more than 150 large customers with US\$4 trillion in purchase volume urged companies to disclose their performance on environmental impacts, risks and opportunities through the CDP platform. More than 9,600 companies responded to the questionnaires sent out in 2020, companies that represent more than 50% of the world market capitalisation.

ENDESA has participated since 2006 in the CDP Climate Change initiative, the most prestigious index on climate change, which offers global information on the management of risks and opportunities identified by the largest companies worldwide.

ENDESA renews its Leadership rating, although this year with the highest possible score as it is included in List A.

ENDESA is playing a key role in the fight against climate change, demonstrating its leadership and significantly contributing to the fulfilment of national and international commitments that address the decarbonisation of the planet. This past year 2020, CDP included ENDESA in List A, which recognises leading companies in climate action and transparency.

1.6.2. Climate Projects

ENDESA continues to participate in the Climate Projects led by the Spanish Office for Climate Change and, for the second consecutive year, obtained the "Certificate of recognition of verified emission reductions" from the Ministry for the Ecological Transition and the Demographic Challenge, after an exhaustive verification process of its projects during 2020.

Climate Projects are projects promoted by the Ministry for Ecological Transition and the Demographic Challenge, through the Carbon Fund for a Sustainable Economy (FES-CO₂), with the primary objective of reducing greenhouse gas (GHG) emissions in the so-called "diffuse sectors" and mark a path of transformation of the productive system towards a low carbon model.

In 2020, ENDESA saw its verified emission reductions recognised thanks to six activities focusing on the areas of mobility and sustainable engineering.

Within the scope of Sustainable Mobility, there is the Electric Mobility Plan through Car-Sharing (Madrid and Zaragoza), which aims to promote a modal change in the use of employee transport, promoting the use of electric vehicles instead of taxis for their trips for work, with the consequent reduction of emissions that this implies.

On the other hand, there are the Electric Mobility Plans for employees of 2017 and 2018. These plans again offer workers the possibility of having an electric vehicle at a lower cost for a period of three years that can be extended. Finally, there is the Electric Mobility Plan for construction vehicles, the objective of which is to replace internal combustion engine (ICE) vehicles used to transport materials for the construction of new renewable plants, with 100% electric vehicles, thus reducing CO₂ emissions.

Finally, the Sustainable Engineering programme includes Sustainable Engineering on site with solar energy. This project consists of the installation of photovoltaic panels in construction works for new renewable plants, to generate electrical energy, thus reducing fossil fuel consumption by generators.

Thanks to its participation in Climate Projects, ENDESA achieved recognition of the reduction of more than 600 metric tons equivalent of CO₂ in 2020 and almost 2,000 metric tons in total.

Lastly, the company was once again recognised by the Ministry for the Ecological Transition and the Demographic Challenge, two ENDESA projects having been selected in the last tender process launched by the FES-CO₂ (Carbon Fund for a Sustainable Economy): Call for Climate Projects 2019. These are the Electric Mobility projects for Employees and construction vehicles, and the Sustainable Engineering on site with Solar Energy.

1.7. Other initiatives on climate change

In ENDESA's opinion, the "cap and trade" system is the most efficient method to reduce emissions, especially in industrialised economies. Defining an absolute emissions target guarantees efficiency in achieving the environmental target, while the market price signal guarantees economic efficiency and minimisation of costs. In general, ENDESA believes that a "cap and trade" system within a solid regulatory framework ensures the certainty of long-term climate objectives and allows market mechanisms to determine prices consistent with macroeconomic cycles and market conditions.

On the other hand, environmental taxation can be analysed for the so-called diffuse sectors, made up of distributed sources of emissions. The debate on the relative merits of the "cap and trade" system and a carbon tax must be conducted from a number of different perspectives, weighing up the cost-effectiveness of regulatory mechanisms against their technical and regulatory feasibility.

In any case, considering the level of climate ambition proposed at the EU and national level, it is important to consider the possibility of extending the application of carbon pricing mechanisms to those emissions not currently covered, mainly those associated with diffuse sectors. It is logical to suggest that, based on the “cap and trade” system or through environmental taxation, all GHG emissions should be covered by some form of price mechanism, otherwise the proposed climate ambition would be inconsistent, with a carbon price mechanism covering only about 40% of emissions.

It should be emphasised that carbon pricing mechanisms cannot be interpreted as a sufficient solution for the decarbonisation of the economy. In general and especially for certain sectors, such as transport or residential, in addition to their high segmentation there are barriers such as inelasticity of demand, lack of correspondence between use and ownership, financing difficulties or the absence of the required infrastructure, so that the price mechanisms should be part of a package of measures that allows a broad decarbonisation to be achieved.

Therefore, ENDESA recognises the role of carbon pricing mechanisms in providing an appropriate price signal for CO₂ emissions and as the most effective way of bringing about the attainment of the emission reduction targets that have been committed to. ENDESA's environmental and climate change pillars are based on those of the EU, so it welcomes the EU Green Deal and supports the ongoing review of the Directive on the Emissions Trading Scheme, although, whether through its expansion or through emission tax instruments, ENDESA considers that there should be an appropriate price signal for any emission, regardless of its origin.

1.7.1. The carbon market and offsetting mechanisms

EU5

Flexible project-based emission reduction mechanisms, such as the Clean Development Mechanism (CDM), have represented an important part of ENDESA's climate change strategy.

The activity of monitoring CDM projects, development of the voluntary market and ENDESA's participation in different Funds managed by the World Bank has been carried out by the Global Front Office unit.

Global Front Office has allowed ENDESA and Enel to continue to be an international benchmark in the carbon market.

1.7.2. Carbon funds

EU5

ENDESA has participated in three carbon funds managed by the World Bank: Community Development Carbon Fund (CDCF), Spanish Carbon Fund (SCF) and Carbon Partnership Facility (CPF).

Despite no longer participating, since being included in them ENDESA not only contributed to the reduction of emissions, but also participated in the complementary benefits provided to the most disadvantaged communities.

1.7.3. Voluntary offsets of greenhouse gas emissions

EU5

ENDESA continued with its policy of offsetting GHG emissions from events in which it participates as a sponsor, its own internal events and publications, using credits from its portfolio of CDM projects for the purpose. A highlight of 2020 was the offsetting of GHG emissions from basketball matches played during the Copa del Rey and the Copa de la Reina. ENDESA calculated the emissions associated with these sporting events, generated by consumption, transport, catering and overnight stays, as well as sending material to the participants of two internal sustainability awareness programmes. In total, more than 1,400 metric tons of CO₂ equivalent were offset.

On this occasion, the credits used to offset internal events come from various hydroelectric generation projects in Southeast Asia.

1.7.4. Carbon capture and reuse

During 2020, ENDESA has continued to carry out various initiatives in the field of Carbon Capture, Storage and Use (CCUS):

- Since 2011, ENDESA has operated a microalgae cultivation pilot plant for the capture and revalorisation of CO₂, located in the Litoral thermal power plant in Almería. The main objective of this plant is to test new types of photobioreactors, cultivation methods, as well as microalgae and to develop processes for the recovery of the biomass obtained. In this area, during 2020 the milestones of the European LIFE ALGAR-BBE project continued to be met. This project aims to recover the biomass generated to obtain biostimulants with biocidal activity. The project will implement, evaluate and disseminate a new approach in the context of sustainable agriculture through the use of biostimulants with biocidal activity containing microalgae, mitigating the adverse effects on the environment and human health of chemical pesticides that are currently use. In parallel, collaborations have been carried out with the universities of Granada and Cádiz in projects based on the development of medicinal applications of microalgae, and a patent has been obtained in this field.



Microalgae pilot plant at the Almería Thermal Power Plant.

As a consequence of the excellent results obtained in the microalgae pilot plant, a larger plant (approximately 2 ha) and much more productive capacity is being built, which would be installed on the land currently occupied by the thermal power plant and which would allow it to start up in an industrial way the results obtained in the projects developed in recent years at the pilot plant.

ELECTRIFICATION

ENABLING INFRASTRUCTURES



| | Line of action | 2020 Objective | 2020 Profit/Loss | Key actions |
|--------------------------|---|----------------|------------------|--|
| Enabling infrastructures | Improved supply continuity: Own + programmed TIEPI (SAIFI) (min.) | 59.6 | 60.3 | Trends in the TIEPI (SAIFI) in 2020 were more favourable than in the previous year, mainly due to the more resilient behaviour of the network, as well as a lower climatic impact. |
| | Number of new connections of producers of renewable energy | 608 | 1,687 | The Protur Hotels project is the self-supply project with the highest power in the hotel sector in Spain and one of the biggest in Europe. |
| | Power of new connections of renewable producers (GW) | 380 | 2,065 | |

1. THE QUALITY AND SAFETY OF ELECTRICAL SUPPLY AS A PRIORITY

The number of customers with access contracts to the Company's distribution networks increased during 2020 by 0.5%, reaching 12.3 million.

ENDESA supplied 96,596 GWh in 2020 to the customers of its distribution networks, 5.7% less than in 2019.

The total energy distributed by ENDESA's networks reached 110,063 GWh in 2020, measured in power plant bars, which represents 44% of the total demand in Spain. Total demand in Spain reached 249.7 TWh, according to the national grid operator (REE Report: "The Spanish electrical system. 2020 closing forecast").

1.1. Development and improvement of distribution infrastructure

EU10/103-1 Management Approach Availability and Reliability EUSS/103-2 Management Approach Availability and Reliability EUSS/103-3 Management Approach Availability and Reliability EUSS

To ensure the correct energy supply to its customers, ENDESA's Distribution Network infrastructures are planned and operated in such a way that they are continually adapted to the capacity demanded by existing customers, to the network expansions requested by new customers, and to the correct attention to the regulatory, legal and subject to agreements actions.

The length of ENDESA's distribution network lines in Spain stood at 315,365 kilometres, of which 40.1% were underground lines. The number of substations at year-end was 1,314.

EU4

| Electricity distribution facilities in Spain and Portugal | | | |
|---|----------------|----------------|----------------|
| | 2018 | 2019 | 2020 |
| Length of distribution network lines (km) | 319,613 | 316,320 | 315,365 |
| High voltage overhead lines (km) | 18,838 | 18,796 | 18,849 |
| High voltage underground lines (km) | 787 | 786 | 793 |
| Length of high voltage lines (km) | 19,625 | 19,592 | 19,642 |
| Medium voltage overhead lines (km) | 77,343 | 75,172 | 72,970 |
| Medium voltage underground lines (km) | 41,188 | 40,771 | 41,033 |
| Length of medium voltage lines (km) | 118,531 | 115,943 | 114,003 |
| Low voltage overhead lines (km) | 96,390 | 95,514 | 95,696 |
| Low voltage underground lines (km) | 85,067 | 85,281 | 86,024 |
| Length of low voltage lines | 181,457 | 180,795 | 181,720 |
| Substations (number) | 1,275 | 1,284 | 1,314 |
| Substations (MVA) | 87,149 | 87,930 | 88,673 |
| Transformation Substations (number) | 133,971 | 129,749 | 130,056 |

1.2. Continuity in supply

EU28/EU29

The continuity of supply in Spain is measured through the indicators SAIDI (System Average Interruption Duration Index) and SAIFI (System Average Interruption Frequency Index), whose calculation procedure is regulated by Royal Decree 1955/2000. The SAIDI and SAIFI levels are audited annually by an independent external company.

During 2020, the own TIEPI (SAIFI) in the markets supplied by e-distribution stood at 46.9 minutes, which means that the reliability of the service was 99.99% of the hours of the year. The own NIEPI (SAIDI) stood at 1.23 in 2020.

Trends in the own TIEPI (SAIFI) during 2020 were more favourable than in the previous year, mainly due to more resilient behaviour of the network, as well as a lower climatic impact, the only exception being Storm Gloria in January 2020.

The table shows the continuity of supply indicators for the main Autonomous Communities in which ENDESA provides services.

| ENDESA's SAIDI (System Average Interruption Duration Index) (minutes) | | | | |
|---|-----------|-----------|-----------|---------------------|
| ENDESA's SAIDI | 2018 | 2019 | 2020 | Variation 2020-2019 |
| Andalusia | 73 | 66 | 57 | -14% |
| Aragón | 70 | 55 | 58 | +5% |
| Balearic Islands | 54 | 49 | 36 | -26% |
| Canary Islands | 40 | 43 | 38 | -10% |
| Catalonia | 53 | 55 | 40 | -27% |
| Extremadura | 80 | 76 | 58 | -24% |
| ENDESA | 61 | 59 | 48 | -19% |

1.3. Safety at facilities

103-1 Customer health and safety EUSS/103-2 Customer health and safety EUSS/103-3 Customer health and safety EUSS/103-1 Customer health and safety/103-2 Customer health and safety/103-3 Customer health and safety/416-1

ENDESA complies with the provisions of current legislation regarding safety for people, whether employees or citizens in general, for all facilities:

- High and medium voltage installations are subject to three-year safety and suitability inspections, action plans being established to resolve any defects identified.
- Facilities connected to the HV/HV and HV/MV distribution substations have protective devices that isolate any defects that may occur.
- The MV lines have intermediate protections such as lightning rods and self-valves, in prevention of surges caused by atmospheric discharges.
- MV/LV transformation centres and LV lines have similar safety measures.
- Regarding the connections of the supplies to the grid, the link facilities have their corresponding protective devices, in accordance with current regulations.

Regarding the health of the population, ENDESA shares with the rest of the operators in the electricity sector and with society in general the concern about the potential impact that the electromagnetic fields generated by its facilities could cause. Therefore, different technical actions are carried out of verification and, where appropriate, adaptation, so that it is ensured that their operation does not generate incidents hazardous to public health.

ENDESA is constantly updated with the latest studies in this area and actively participates in the forums of the electricity sector to contribute our knowledge and initiatives (technical, constructive, operational, etc.) in the field of prevention of health risks related to these causes.

Health and safety impacts are evaluated in all of ENDESA's product and service categories.

2. EXCELLENCE IN COMMERCIAL SERVICE

2.1. Commercial Service Excellence Plan

For ENDESA, excellence in sales service is the main value in the relationship with its customers, always seeking maximum efficiency in the operation of its sales service channels, tools and platforms through constant innovation and improvement processes.

ENDESA considers customer-mindedness as one of the fundamental lines of action in its customer relations. To this end, it focuses its efforts on improving the main indicators of customer satisfaction, monitoring key indicators to verify the impact on the improvement of ENDESA's commercial quality.

2.1.1. In-person or personalised attention

ENDESA's in-person service is organised by customer segment, in order to better adjust to the needs of each of them:

- **General Public (B2C):** ENDESA has 11 commercial offices in Spain and 2 in Portugal, as well as 253 service points distributed throughout the country.

| Face-to-face assistance centres for the general public | | |
|--|----------------|---------------|
| | Service points | Sales offices |
| Andalusia-Extremadura | 85 | 3 |
| Aragón | 23 | 1 |
| Balearic Islands | 18 | 1 |
| Canary Islands | 23 | 2 |
| Catalonia | 58 | 3 |
| Own territory | 207 | 10 |
| Expansion | 46 | 1 |
| Portugal | 0 | 2 |
| ENDESA | 253 | 13 |

The face-to-face channels remained closed during the state of alarm due to the impact of COVID-19. At the end of May, they were reopened to the public once all the necessary sanitary measures had been implemented to ensure safety in customer service. The main actions taken were: installation of methacrylate screens in all customer service positions, distribution of masks, gels and gloves and the placement of various information posters with the main messages to avoid contagion. Additionally, prior appointment and video-calling services were promoted.

Various audits were carried out through a specialised company, to ensure that the sanitary measures adopted were being complied with.

- **Attention to and management of Major Customers and Companies (B2B):** ENDESA has a team of highly qualified account executives to understand and respond competitively to the demanding needs of this type of customer in a personalised way.

The current structure has around 350 account executives, organised by sector of energy demand and territory (nationwide coverage), and complements its coverage by means of telephone and internet service channels managed in a way that is appropriate to B2B customers, while at the same time sharing technological infrastructure synergies with the equivalent channels in the B2C segment.

2.1.2. Customer service call centre.

The ENDESA Call Centre handled 17.4 million calls in 2020, with a 18% decrease in traffic on the Iberian Peninsula compared with the previous year, due mainly to the exceptional situation in 2020. An important part of this additional traffic was managed thanks to the implementation of new use cases supported by Artificial Intelligence (AI).

Customers who chose the call centre channel to contact ENDESA did so in 46% for reasons related to the business cycle, 17% for reasons of unavailability of supply, and 6% to make requests for new sign-ups, maintaining the Customer Service Call Centre as one of the main sales channels of the company.

In 2020, the call centre channel continued its progress towards becoming a “cognitive contact centre”, and became a benchmark in the sector by obtaining the Excellence in Customer Relations Award for the Best Innovation Project. These awards are organised by the AEERC (Spanish Association of Customer Relations Centres) and recognise the great advances made during 2020 in the transformation of the contact centre from the point of view of customer service, agent management and supplier relations.

Within this framework, the following lines of work developed in 2020 stood out:

- **Digitisation of the Contact Centre:** promoting self-service through Artificial Intelligence as a pillar of customer service. The integration of Watson (IBM AI) as one more agent of

the Contact Centre providing a homogeneous experience for the customer through a unique conversational model marks a way forward in the Contact Centre industry.

The use of AI has also been a basic pillar to ensure customer service during the months of March to June, when due to the pandemic and confinement, it was not possible to provide service through other channels.

Likewise, digitisation has been complemented with Virtual Hold solutions that reduce customer effort while ensuring target levels of accessibility.

- **Operational efficiency:** deployment of a robust work-from-home solution in all regions where the Contact Centre is present, allowing all agents to be kept in operation, ensuring health and safety conditions, supported by remote supervision solutions to ensure compliance with the established service levels.
- **Efficiency and quality through the Cronos project,** a project that seeks to reduce customer handling times, improving the perceived quality, and in which all the partners that provide service for the telephone channel collaborate.

With respect to the Portuguese market, during 2020 more than 2.1 million calls were answered, which represents an increase of 25% compared with 2019.

- Among the most notable projects in 2020 in telephone service in Portugal was the integration of the telephone channel within the BPO that ENDESA manages with third party experts. In this way, the integral operational management of all Front office channels with their Back offices is guaranteed, which allows a better quality of customer service and, at the same time, encourages the operator to seek operational synergies, productivity improvements and the application of technology/robotics with benefits for the customer (for example in terms of better identifying quality problems, introducing automation that reduces response time, greater commitment to digitisation and customer self-management, etc.).

All in all, despite the very adverse context of 2020, the development of the Telephone channel was very positive, maintaining service to ENDESA's customers at times when other channels were unable to do so due to the lockdown situation.

2.1.3. Customer service online and through digital channels

The special situation experienced in 2020 meant an acceleration of the digitisation process, and therefore a strong boost in online service. All this was possible thanks to the plans to reinforce the infrastructures, human teams and technological resources that the people of ENDESA put in place during the first days of the pandemic.

2.7 million registered customers with ENDESA websites, 17% more than in 2019.

At the end of 2020, ENDESA's commercial website, www.endesa.com, reached 2.7 million registered customers (17% more than in 2019), with more than 2.6 million contracts. These users carried out more than 2 million interactions per month, with bill consultation being the most common operation both on the web and the app, which was downloaded 900,000 times over the course of the year.

ENDESA also serves the regulated market through Energía XXI, whose website www.energiaxxi.com serves 1 million customers and received 300,000 visits in 2020, the first full year since its launch.

During 2020, electronic billing also received a great boost. It consolidated its growth, with 4.4 million contracts in force with e-billing.

During 2020 ENDESA's digital assets (public website and online office) were renovated in order to offer better service to customers, unifying the access points to commercial and corporate information, and positioning the customer as a fundamental element in the digital transformation process. The main new features incorporated are:

- Creation of a “home” vision that allows the various different contracts relating to the same household to be grouped together, which better suits customers' requirements and gives them a comprehensive view of the household's energy consumption.
- Simplification of navigation, so that all the procedures can be found in the same place.
- Introduction of improvements in functionality, implementing a traceability and alert management system for customers' requests, allowing them to check the status of their request at any time.

Apart from this, further progress was made with the programme to automate procedures in the most used channels (chat and WhatsApp), incorporating Artificial Intelligence in the customer service processes, thus allowing a faster response to customers' most frequent needs, and absorbing the excess traffic handled online due to the effects of the pandemic.

2.2. Elimination of barriers to access for the most vulnerable customers to information on products and services

103-1 Management Approach Provision of Information EUSS/103-2 Management Approach Provision of Information EUSS/103-3 Management Approach Provision of Information EUSS

ENDESA strives to overcome such barriers as may possibly exist, be they physical, social or linguistic, in the information on its products and services.

The websites www.endesa.com and www.energiaxxi.com have extensive sections explaining electricity and gas bills in detail.

Both websites are available in English as well as in Spanish and Catalan. You can also communicate in English through the Apps and the online chat channel, email, Twitter, Facebook and WhatsApp, covering the information and sales service needs of these customers on the internet.

All commercial and information communications that ENDESA sends to its customers in Spain can be written in Spanish and Catalan, including bills and information brochures.

The customer service call centre attends in both Spanish and Catalan. For customers who cannot communicate in these languages, there is a specialised service that handles calls in English, with a dedicated telephone number, and whose target audience is mainly customers with their residence abroad.

The digital online channels have resources and supports to ensure access to customer service for persons with disabilities and the elderly.

Since 2019 ENDESA has adapted its websites to comply with the WCAG (Web Content Accessibility Guidelines) standards of the W3C (World Wide Web Consortium), at its AA level, making them possible to use for all types of users, including those with some kind of disability.

The AA accessibility certificate issued by AENOR has been obtained.

ENDESA's Sales Offices and Service Points are located at street level, with access adapted for people with reduced mobility and with sanitary arrangements appropriate to the COVID-19 crisis.

ENDESA was the first company to enable a channel aimed at people with hearing or speech disabilities, by means of the Padius app, which allows customers to ask any questions about their bill or contract and to receive personalised information.

2.3. Effective resolution of customer complaints

103-1 Management Approach Customer Privacy/103-2 Management Approach Customer Privacy/103-3 Management Approach Customer Privacy/418-1

The effective and objective management of customer complaints is a key strategic objective at ENDESA. Complaints are managed by the Claims & Complaints Attention Unit (UAR in the Spanish abbreviation) centrally and through people working in the six Territorial Units (UTRs in the Spanish abbreviation). Its main duties consist of:

- Ensure customer satisfaction in the management of their claims.
- Detect the causes that negatively affect the usual commercial activity.
- Define the measures to solve them and specify the improvements in the management systems.
- Look for cost efficiencies in the resolution of claims.
- Resolve claims in the shortest possible time.
- Act as interlocutors with public or private consumer defence entities.
- Intervene in social networks when faced with joint claims filed therein.
- Respond to the requests that the CNMC presents to ENDESA including the quarterly reports on claims made.

The year 2020 consolidates the new claims management model with an “end to end” vision by the customer and with teams that are unrivalled in resolving complaints. This entails more efficient management in costs and in customer quality since it simplifies the management and results in a shorter management time and a positive valuation by the customer. The changes in the Customer Service systems have also led to an improvement in the management of complaints with a classification of complaints in the customer's language. It should be noted that the pandemic has not led to a reduction in claims filed by customers, but has resulted in a change in their entry channel, with a significant increase in the number coming in through the Digital Channels. However, there has been a reduction in those received from the Public Administrations.

The volume of complaints in 2020 was approximately 315,000, which represents an increase of 23% compared with the previous year, influenced by an incident with invoicing. The number of requests also decreased in volume by 28% to 248,000.

The sum total of both requests and complaints amounted to approximately 562,000, and their resolution rate was 89%. Thus, fewer complaints and requests were resolved than were received, so the number pending increased.

Throughout 2020, billing incidents and system changes led to a worsening in complaints handling times, from about 6.5 days in 2019 to 7.2 days in 2020, which is 11% higher, related to billing incidents.

By type of processes, the 88% increase in complaints related to meter readings and billing stands out, as does the 17% increase in complaints about ATR with regard to the application of discounts in campaigns carried out during the COVID period. Finally, complaints made to Customer Service decreased by 18%, due to the reduction in customer complaints regarding attention received

through the channels. By stage of handling, complaints have a higher resolution rate in the Customer Service Channels that are able to resolve in the first instance with the customers themselves, and the procedures that cannot be resolved in the first instance pass to the teams that can resolve them, including the Business Cycle teams which also deal with complaints. In 2020, more than 73% of the claims of the reseller (Residential) have been resolved within a period of less than 5 days.

3. ENERGY POVERTY AND ACCESS TO ELECTRICITY FOR VULNERABLE CUSTOMERS

103-1 Management Approach EUSS Access to Electricity EUSS/103-2 Management Approach EUSS Access to Electricity EUSS/103-3 Management Approach EUSS Access to Electricity EUSS

ENDESA maintains a strong commitment to the fight against poverty and to helping those who are most vulnerable due to adverse economic situations, carrying out various actions and initiatives aimed at groups and families affected by energy poverty.

Actions in terms of service, advice, billing and collection, are priority lines of action for the company in its permanent commitment to society. For this reason, different initiatives are carried out aimed at people and families living in energy poverty, in collaboration with associations and social services, whether or not they are customers of the company.

In 2020, the impact of COVID-19 led to a health crisis, but it also led to an economic crisis with complex situations causing unemployment and temporary layoffs leading to a substantial reduction in income. As a result, on 30 September 2020, a decree was approved including these groups as beneficiaries of the “Social Bonus” (subsidised electricity rates) until 30 June 2021.

The “social bonus” approved in 2018, giving a discount on the electricity bill to customers affected by energy poverty, is also maintained.

ENDESA makes its face-to-face, telephone and online service channels available to consumers to inform them of the conditions of the new Social Bonus, as well as the documentation they must present in order to avail themselves of it.

ENDESA, through its customer service channels and in collaboration with social services, facilitates staggered or deferred payments of invoices up to 24 months for vulnerable customers, thus relaxing the conditions so that customers can meet the cost of energy supply and so avoid having it cut off.

ENDESA maintains in force the agreements signed since 2014 with local/Autonomous Community administrations and third sector entities to avoid shutting off supply to customers with energy poverty status who are certified by social services, while emergency aid is processed by the latter for the payment of electricity or gas bills for these customers.

Currently there are 273 agreements in force, seven of them with Autonomous Regions and seven with Federations of Municipalities, and contact is maintained with 537 municipalities. As a result of these agreements, in 2020 ENDESA attended to 123,364 requests amounting to Euros 30,350,630 from vulnerable customers with difficulties in paying their bills.

ENDESA and the Red Cross continued to work under their Collaboration Agreement to protect and guarantee the energy supply in the primary residence of individuals and families in situations of vulnerability and avoid the suspension of the supply of electricity or gas, as a consequence of non-payment of bills.

Additionally, ENDESA carries out various projects with third sector entities to provide training on efficiency and optimising the electricity bill, also reinforcing security measures and risk prevention for vulnerable families.

3.1. Cut-offs for non-payment and reconnections for domestic customers.

EU27

In 2020 there was a very considerable reduction in cut-offs compared with previous years. Specifically, 78% less than in 2019 and 70% less than in 2018. This reduction was due to the public health emergency situation caused by COVID-19 and, specifically, to the publication of Royal Decree-Law 11/2020 of 31 March adopting urgent complementary measures in the social and economic sphere to deal with COVID-19, which prohibited cutting off the supply of electricity and gas to natural persons in their habitual residence except for reasons of security or safety of supply, people or facilities, until one month after the end of the state of alarm.

Subsequently, with the publication of Royal Decree-Law 26/2020 of 7 July on economic reactivation measures to face the impact of COVID-19 in the areas of transport and housing, cuts were prohibited until 30 September 2020, with the same conditions as those mentioned above.

From the start of the state of alarm and until 31 December 2020, ENDESA did not cut off or cancel any supply of gas or electricity due to non-payment, extending this guarantee to all domestic customers without their having to provide any kind of justification.

In the months of 2020 in which there were electricity cuts due to non-payment of domestic customers, 66.2% had a cut of less than 48 hours and 10% had a cut of between 48 hours and a week, 5.6% between a week and a month and 1.4% between a month and a year, the remainder not having been reconnected.

Likewise, 80.6% of disconnected domestic customers have been reconnected within the next 24 hours, 2.3% between 24 hours and a week and only 0.2% more than a week after disconnection.

In the case of gas supply. 27.6% of residential customers disconnected due to non-payment had a cut of less than 48 hours, 9.7% had a cut lasting between 48 hours and a week, 5% between a week and one month, and 4.6% between one month and one year.

Also, 8.6% of disconnected domestic gas customers were reconnected within the next 24 hours, 27.8% between 24 hours and a week and 9.8% more than a week after being disconnected.

| Cut-offs of domestic customers for non-payment broken down by duration of disconnection and regulatory regime (number) | | | |
|--|--------|---------|--------|
| | 2018 | 2019 | 2020 |
| Customers disconnected | 92,062 | 123,950 | 27,686 |
| Customers disconnected for less than 48 hours | 47,285 | 83,717 | 18,521 |
| Customers disconnected for less than 48 hours, TUR market ("last resort" rates) | 24,357 | 42,051 | 8,231 |
| Customers disconnected for less than 48 hours, non-TUR market | 22,928 | 41,666 | 10,290 |
| Customers disconnected between 48 hours and a week | 8,653 | 11,473 | 2,737 |
| Customers disconnected between 48 hours and a week, TUR market | 4,599 | 5,766 | 1,294 |
| Customers disconnected between 48 hours and a week, non-TUR market | 4,054 | 5,707 | 1,443 |
| Customers disconnected between one week and one month | 5,762 | 6,591 | 1,545 |
| Customers disconnected between one week and one month, TUR market | 3,191 | 3,981 | 814 |
| Customers disconnected between one week and one month, non-TUR market | 2,571 | 2,610 | 731 |
| Customers disconnected between one month and one year | 2,292 | 1,516 | 144 |
| Customers disconnected between one month and one year, TUR market | 1,256 | 1,430 | 72 |
| Customers disconnected between one month and one year, non-TUR market | 1,036 | 86 | 72 |
| Customers disconnected more than a year | 0 | 0 | 0 |
| Customers disconnected for more than a year, TUR market | 0 | 0 | 0 |
| Customers disconnected for more than a year, non-TUR market | 0 | 0 | 0 |
| Customers reconnected within 24 hours | 60,133 | 100,048 | 22,304 |
| Customers reconnected within 24 hours, TUR market | 31,373 | 51,570 | 10,304 |
| Customers reconnected within 24 hours, non-TUR market | 28,760 | 48,478 | 12,000 |

| Cut-offs of domestic customers for non-payment broken down by duration of disconnection and regulatory regime (number) | | | |
|--|-------|-------|------|
| | 2018 | 2019 | 2020 |
| Customers reconnected between 24 hours and a week | 3,323 | 2,850 | 625 |
| Customers reconnected between 24 hours and a week, TUR market | 1,762 | 1,449 | 307 |
| Customers reconnected between 24 hours and a week, non-TUR market | 1,561 | 1,401 | 318 |
| Customers reconnected more than a week later | 473 | 352 | 227 |
| Customers reconnected more than a week later, TUR market | 235 | 184 | 200 |
| Customers reconnected more than a week later, non-TUR market | 238 | 168 | 27 |

4. RESPONSIBILITY AND CUSTOMER SATISFACTION

4.1. Responsibility in information on and offer of products and services

103-1 Marketing and labelling management approach / 103-2 Marketing and labelling management approach / 103-3 Marketing and labelling management approach / 103-1 Information provision management approach / EUSS/103-2 Information provision management approach EUSS/103-3 Information provision management approach EUSS/417-1

ENDESA customers have the right to be informed about the characteristics of the products and services they consume. For this reason, the Company complies with the regulatory requirements for information to customers in the various phases of the business cycle. These regulations cover the following issues:

- When establishing a supply contract or modifying it, the customer is informed of the different types of tariffs and the most appropriate power for their needs.
- When making power outages for scheduled tasks on the network, customers and the general public are notified well in advance.
- When shutting off a customer's service for non-payment, all the certified demands for payment established by current regulations are made prior to this act, including a notice made 15 days before the shut-off, informing them of the date from of which the same will be effective. These shut-offs for non-payment are only carried out if the Company has proof of this fact. In no case are customers considered "essential" by the regulations cut off for non-payment.
- There are other times when deadlines for reporting are defined, both when budgeting for new supplies and when handling customer complaints.

Regarding the deregulated market, ENDESA systematically complies with the obligation to report the origin of the electricity on the bill.

Furthermore, it goes beyond the legal requirements to achieve excellence in the practice of informing customers. Thus, the Company created in 2009 a unit to manage the relationship with consumer associations and public bodies, which has been consolidated since then. This unit has held regular meetings and has participated in different forums in the field of consumers, in which the measures adopted by ENDESA with respect to its customers have been transmitted and the main concerns expressed by them have been gathered, to adopt the measures more appropriate at all times in terms of consumption.

4.2 Customer satisfaction, key at ENDESA

103-1 Marketing and Labelling Management Approach/103-2 Marketing and Labelling Management Approach/103-3 Marketing and Labelling Management Approach/102-43/102-44

The customer occupies the central place in ENDESA's business model, and therefore the measurement of the Customer Experience is essential. Thus, all segments, products, channels, services and processes have adequate tools to carry out this function.

The integration sought with the various customer "journeys" provides robustness between the customer's contacts (proactive or reactive) and the customer experience. These actions have led directly to a reduction in customer saturation and a better contextualisation of the parameters to be assessed. Customer invasion has been reduced by creating much more fluid communication channels that allow dissatisfaction to be better managed.

Traceability of records is a crucial issue for understanding consumer concerns. In 2020, more than 200 million records were managed in Spain to ensure a number of representative interviews in all biases (population, geographic, tariff, supply, supplier, etc.). In another line, the traceability of customers has allowed the creation of time lines to know their state of complacency at all times and manage the times to remain overlapped with the actions carried out. This is possible thanks to the use of "big data" environments.

Automation is another element that has made it possible to detect customer interactions in real time and influence them at that precise moment. In this way, the valuation is achieved at the right time to be measured, avoiding that time could dilute the customer's perception.

The main methodology used to ascertain the level of customer satisfaction is interviews through digital channels. This responds to the technological transformation, both of the company and of society as a whole.

Compared with the rest of the electricity sector, in 2020 ENDESA continued to be the leader in mass customer satisfaction in the electricity sector. This position has been held for more than 10 consecutive years.

| Customer satisfaction index (general public, deregulated electricity market) ¹ | | | |
|---|------|------|------|
| 2017 | 2018 | 2019 | 2020 |
| 7.03 | 7.18 | 7.27 | 7.31 |

¹ Generic SCP Study (ENDESA Energía Commercial Quality).

Overall in 2020 customer satisfaction rates improved with respect to Electricity Supply (2% improvement vs. 2019), with respect to Business Cycle services (+3%) and with respect to Price (+17%). Likewise, the perception of ENDESA as a leading company in satisfaction with Advice and a benchmark in customer orientation was consolidated, placing the company's image in a preferential position relative to the competition.

Regarding customer loyalty, in 2020 ENDESA obtained a Net Promoter Score (NPS) of 7%, an improvement of 5 pp compared with the previous year.

For customers susceptible of personalised treatment (non-mass), a clear improvement is detected in terms of satisfaction with the company (+3% vs. 2019), which values both the supply service (+4% compared with 2019) and the operation of the Business Cycle (+3%), specialised advice (+5%) and, standing out above the rest, satisfaction with the Price (+16%).

Focusing on gas customers (mass market), ENDESA achieved a satisfaction index of 7.56 (improvement of 2 points compared with 2019).

By item, ENDESA remains the leader in customer satisfaction with gas prices (9% improvement vs. previous year); as well as a valuation close to 8 in the Business Cycle (where the usefulness of the information on invoices and its clarity usually stand out, compared with the competition).

4.2.1 Operational management of customer satisfaction and experience

The main axes of Customer Satisfaction and Experience management with ENDESA Energía at an operational level are summarised below, as well as some of the key results obtained in 2020.

Customer Experience - Sales and commercial activity

The monitoring of the Quality offered by the sales channels (Task Force, Stand and Telesales) in Spain in mass customer segments globally reaches a value of "Very satisfied" (higher than 4 on a scale of 0 to 5).

By channels, it exceeds 88% in Task Force, 90% in Stand and 93% in Telesales (data to October 2020). The indicators of satisfaction with ENDESA's service menu, certified by AENOR, exceed the 80% marked as a reference in the case of the Clarity and Friendliness indicators.

Customer Experience - Customer service channels

The level of service of ENDESA's offline customer service channels is highly rated both by customers served by telephone (reaching 8.07) and in-person (Offices: 8.91; Service Points: 8.84).

In the call centre channel that serves Free Market customers from the General Public, ENDESA has improved significantly in practically all the dimensions measured. Particularly noteworthy are the valuation of Call Handling (+3% compared with 2019) and the percentage of customers who consider the time used to be appropriate to their query/procedure (+10%).

Among the customers of Companies the best evaluations are in the Personal Attention and the Knowledge demonstrated by the interlocutor.

The in-person channels in 2020 continued to be the best valued channels in ENDESA with outstanding values close to 9 out of 10 both in Offices and in Service Points. Among all the attributes in measurement, the assessment of satisfaction with Treatment, Order of Establishment and Management of the Visit stands out. In general, the rest of the attributes also improved in 2020, with Office Management and waiting times in both Offices (+9%) and Service Points (+7%) standing out.

Customer Experience - Commercial and operational processes

In 2020, satisfaction with all processes measured increased, with values higher than 8, except in the case of Complaints, which despite the especially sensitive year reached a value higher than the approved one.

The indicators that performed best in 2020 were Global Satisfaction with the Ease of Contract Registration and Amendments, and the Information that ENDESA provides on the procedures required during the energy contracting process. In Contract amendments, customers' positive perception of the total time taken by the process stands out.

4.2.2. New projects

Since 2018, ENDESA Energía's Commercial Quality area has been gradually implementing a digitisation approach with the aim of obtaining a 360° view of the relationship with the customer. This strategy brings together ENDESA's different strategic projects and integrates with the systems to optimise the customer experience and reduce areas of possible dissatisfaction.

In 2020, Dissatisfaction Management continued to improve, focusing on clearly identifying possible problems and referring their solution to the most competent area. In parallel, the internal user is helped to learn and correct the processes, contrasting the initial and final information, in a process of continuous improvement.

Finally, following a pilot phase, Machine Learning technology is being implemented for two main tasks: on the one hand, to identify patterns and classify responses to streamline the categorisation for Dissatisfaction Management (Supervised Learning); and on the other to analyse the customer's voice to better understand the cases that affect them and to be able to identify the root causes of the main problems (unsupervised clustering).

During 2020, projects continued to be developed on various fronts to improve the quality of care and satisfaction with ENDESA Portugal's service, among which are:

- **Inclusion of telephone service within the existing BPO in Portugal:** This new approach allows for significant front-back integrations, as well as pushing the provider to actively participate in improvement and automation initiatives.
- **My endesa 2.0:** Usability improvements and increased functionalities in the customer's online office to maximise the procedures to be carried out by the customer in this channel.
- **New digital invoice and creation of the QR code:** Information improvements, increase in digital capabilities and facilitation of customer navigation to boost the use of this customer service channel.
- **Implementation of more demanding SLAs in the BPO** to improve processes and thus reduce the risk of incidents and increase customer satisfaction.

5. ENDESA'S ENERGY SOLUTIONS

5.1. ENDESA: products and services for customers

302-5/103-1 Management Approach Demand Management EUSS/103-2 Management Approach Demand Management EUSS/103-3 Management Approach Demand Management EUSS

In the midst of a revolution in the energy paradigm, ENDESA adapts to the demands of society with a vision based on the three main guidelines for development – decarbonisation, electrification and digitisation – and which can be summarised in the formula sustainability = value. In this sense, it advances by developing innovative products and digital solutions in the areas where energy currently enables the greatest transformations: city, housing, industry and electric mobility. From the beginning, ENDESA bet on sustainability at the centre of its model, with the aim of creating an ecosystem capable of making the best use of the opportunities offered by digitisation, to create more social, environmental and economic value for all. A goal that it meets every day through a platform-based model that enables consumers to participate actively in energy markets and reduce system costs by maximising the impact of innovation.

In order to carry out its role as “value multiplier” and “accelerator of the transition” towards sustainability as effectively as possible, ENDESA organises its activity in the following Business Units, aligned with the sectors that can be further transformed to meet the demands of society:

Energy area.

Services area, ENDESA X:

- **E-City**
- **E-Industries**
- **E- Home**
- **E-Mobility**

5.1.1. Actions on customers of the Public Administration (B2G)

E-City in the urban sphere, through this business unit, ENDESA deals with technological convergence driven by digitisation that leads to the creation of cities provided with smart systems and more energy-efficient equipment capable of ensuring more sustainable, economic and personalised services according to the demands of the citizen.

ENDESA installed two new charging units using a pantograph for the Barcelona Bus network.

ENDESA installed two new ultra-fast pantograph charging devices for electric buses on the H16 line in Barcelona, linking the Forum with Zona Franca. The objective is to ensure that the 22 TMB (Barcelona Metropolitan Transport) electric buses are kept charged so as to deliver better service to passengers.

The ultra-fast pantograph charging system has two parts: the charger, a pillar approximately five metres high with the connecting bell, like a lamppost, which is installed at the beginning and end of the line to take advantage of the times when buses are stopped to not interfere with the route's timetables; and the pantograph, a kind of retractable mechanical arm on the roof of the bus, which lifts and attaches to the charger to begin charging.

Thanks to this type of opportunity recharging, located at the beginning and end of the line, and the 500 kW of power from the chargers, a recharge capacity of 80% of the bus battery is achieved in less than 5 minutes, through the pantograph on the roof of the vehicle.



5.1.2. Actions with business and industrial customers (B2B approach)

E-Industries: this line seeks to promote the energy transition of commercial and industrial consumers, helping them make more efficient use of energy, saving costs and monetising their flexibility through innovative and sustainable solutions such as demand management, energy monitoring services, distributed generation and storage among others. In addition, it offers new solutions that adapt to both the current context and the needs of customers, such as Air Quality, a service that helps manage indoor air quality.

ENDESA builds the largest self-supply photovoltaic project in the hotel sector in Spain

Through its subsidiary ENDESA X, ENDESA is building the largest photovoltaic project for private self-supply in the hotel sector in Spain, with a total power of 2.8 MWp and a production of 5,000 kWh per year for Protur Hotels, in the town of Sa Coma, in the municipality of Sant Llorenç del Cardassar (Mallorca).

- The project is a milestone for both Protur Hotels and ENDESA, as it is the self-supply project with the highest power in the hotel sector in Spain and one of the largest in Europe.
- In environmental terms, it represents an annual reduction in emissions of 1,648 tons of CO₂, equivalent to planting 103,824 trees.
- Of the plant's total production, 70% will be used for self-supply.
- This facility covers approximately 44% of current consumption in the 5 Protur Hotels connected to the photovoltaic plant, saving almost Euros 250,000 a year.



ENDESA promotes a new energy model that is committed to sustainable generation and more efficient and responsible consumption.

- **The energy management system (EMS)** allows us to know, in an agile way, at which points it is more likely to achieve significant savings. In addition, the EMS has procedures that allow knowing the energy savings generated, after having carried out a measure of energy efficiency.

With the monitoring of these elements and correct proactive management with regulation of parameters, consumption can be reduced by 10-20%. Energy savings by replacing equipment can reduce energy consumption by 15-25% in the case of boilers and/or chillers older than 15 years.

- **Air Quality:** ENDESA X's new solution that allows customers to adapt to the new conditions deriving from COVID-19 quickly and effectively, as well conveying to its customers an image of safety and awareness of the health crisis.

This solution focuses on the two most effective factors to minimise the risk of contagion of COVID-19: on the one hand, monitoring and ventilation, through the installation of CO₂, temperature and humidity sensors, and on the other, the control of capacity in the facilities.

- **Comfort Management:** ENDESA X's new solution for the intelligent management of companies' Air Conditioning Systems. Through the use of Machine Learning and Artificial Intelligence techniques, Comfort Management dynamically optimises the Air Conditioning Systems, allowing continuous modulation and maintaining comfort, while generating high energy savings in consumption.
- **Solar energy:** In 2020 ENDESA established itself as one of the main players in the solar photovoltaic market for self-consumption in Spain, making an additional effort to be able to meet the delivery commitments for the works in progress. Through its experience, quality and technical knowledge, it is helping to empower its customers with the necessary technology to accelerate the efficient consumption of energy, helping its customers obtain the following benefits:
 - Supply a considerable part of its total consumption with clean and renewable energy. Depending on the adequacy of the generation curve to the customer's consumption curve, the energy from the photovoltaic system can cover up to 40% of customer demand.
 - Have considerable savings in your annual electricity bill (up to 50%), achieving price stability in the purchase of energy in the long term.
 - Contribute to the company's sustainability objectives by reducing CO2 emissions into the atmosphere.

5.1.3. Actions on homes and small businesses (B2C, Business to Customer Approach)

E-Home aims to offer products to improve energy efficiency. ENDESA wants to bring home management services closer to its residential consumers, creating a sustainable and accessible ecosystem for all. This area offers air conditioning, solar photovoltaic and smart home products.

ENDESA X encourages self-consumption in the domestic market through “turnkey” sale of photovoltaic installations and, together with home management initiatives, aims to meet the needs of sustainability, decarbonisation and digitisation.

5.1.4. Electric mobility

E-Mobility plans to have a network of 8,500 public access charging points nationwide before the end of 2023. The installation of these charging points will accompany the growth of the electric vehicle market in Spain. For this reason, ENDESA X promotes the transition from public and private transport to electrification. Electric mobility solutions for residential and business consumers and public administrations are grouped in this area.

ENDESA X launches OneElectric, the first “all-inclusive” electric renting scheme.

With the aim of making it easier for companies to switch to electric mobility, ENDESA X has partnered with Athlon to create the first All-in-One electric renting scheme for companies: OneElectric, as opposed to renting an EV on the one hand and installing a charging point on the other.

OneElectric offers in a single fixed monthly fee the renting of a plug-in hybrid electric vehicle of any brand, insurance, maintenance and tyres. And, what is more innovative, the installation of the recharging points, their maintenance and even the possibility of incorporating a kilowatt voucher to be able to recharge in ENDESA X's public network, Athlon being the only intermediary.

In its first week, dozens of requests for information were received. Those responsible for OneElectric clarify that "the offer is available to the self-employed and small companies with one or two cars, and to those with 400 or 500 vehicles."



This is one of the many examples of ENDESA X's daily commitment to find solutions capable of improving everyone's quality of life, every day, always and solely based on a simple equation: sustainability = value.

5.2. Raising customer awareness of efficient energy use

302-5

ENDESA has implemented various programmes that help better manage demand for residential customers, promoting a more efficient use of energy.

Advice and awareness to residential customers on the efficient use of energy

ENDESA continuously carries out communication actions to raise awareness of the efficient use of energy. Examples of these product and service lines are:

| | |
|---|---|
| <p>Info Energía</p> | <p>It is a free information and advice service so that customers can control and manage the electricity consumption of their homes, relying on a digital and easily customisable service. Customers access detailed information that helps them understand their light consumption, comparing it to that of homes with a consumption pattern similar to theirs (in their neighbourhood, municipality and province) and personalised tips and tools that guide them on how to reduce the amount of their bills. In this way, they will be able to become more aware of their energy consumption habits and know how they can be increasingly efficient, thus having the possibility of achieving a reduction in their electricity bills.</p> |
| <p>Energy efficiency diagnostics</p> | <p>It is a free online advisory service exclusively for small businesses. Through the website of the Online Energy Efficiency Diagnosis service, a small business can evaluate its energy efficiency and receive improvement measures to optimise the consumption of its installation and, therefore, reduce its bill.</p> |
| <p>Tips and guides</p> | <p>Advice on the invoice: reserved space on the front of the invoice to offer advice to customers on how to save energy and protect the facilities. Savings advice at www.endesaclientes.com Specific communications to customers in their first year of contract (information brochures, guides etc.).</p> |

Product lines for homes and small businesses

The E-Home line aims to offer products to improve energy efficiency. In this way ENDESA brings home management services closer to its residential consumers, creating a sustainable and accessible ecosystem for all. This area offers air conditioning, solar photovoltaic and smart home products.

Additionally, ENDESA encourages self-consumption in the domestic market through “turnkey” sale of photovoltaic installations and, together with home management initiatives, aims to respond to the needs of sustainability, decarbonisation and digitisation.

5.3. Security measures in products and customer services

103-1 Management approach Customer health and safety EUSS/103-2 Management approach Customer health and safety EUSS/103-3 Management approach Customer health and safety EUSS/103-1 Customer health and safety/103-2 Customer health and safety/103-3 Customer health and safety/416-1

In the works carried out at customers’ facilities, ENDESA always relies on the Health and Safety Coordinator or Prevention Officers, who ensure the proper development of the works from the Safety point of view, as well as conducting Safety and Health Inspections in the field for verification.

These inspections are carried out both by the staff of each business line, as well as by the SPM (Joint Prevention Service) and third parties contracted for this purpose, monitoring all preventive activity in the training sessions of the different business lines, as well as in the Health and Safety Committee and the Participation Commission, the highest body on prevention in ENDESA.

This effort is rewarded with the ISO 45001 certification of ENDESA’s Health and Safety Management System for the sale, installation and maintenance of added value products and services related to the supply of electrical energy, telecommunication, thermal installations, gas and/or sanitary hot water, recharge facilities for electric vehicles, maintenance and repair of in-person technical services linked to the supply of electricity and gas, and the sale, installation, repair and maintenance of products and services for residential customers.

417-2

There were no breaches of the regulations regarding information and labelling of products and services resulting in fines.

There were no non-compliances in this matter that resulted in a warning.

The total number of instances of non-compliance with the voluntary codes regarding information and labelling of products and services was 142.

ECOSYSTEMS AND PLATFORMS



| | Line of action | 2020 Objective | 2020 Profit/Loss | Key actions |
|--------------------------|--|----------------|------------------|---|
| Ecosystems and platforms | Customer digitisation (millions of digital contracts) | 4.8 | 5.7 | Launch of Única, a service with a personalised fixed fee individually adapted to the consumption of each customer. |
| | Promotion of electronic billing (millions of contracts with e-billing) | 4.10 | 4.40 | In 2020 we participated in the MUDA project with the aim of encouraging Portuguese consumers to sign up for digital services such as digital invoicing and facilitating their doing so. |
| | Promotion of the virtual assistant in the CAT telephone assistance channel (% of interactions attended by the Virtual Assistant) | 6.00% | 9.10% | ENDESA has developed a new CallBack channel that allows increasing customer satisfaction in their interaction and avoiding abandonment at times of high demand in the Contact Centre. |

1. FOCUS

The digital transformation of a company is the process to transform it into an organisation fully connected to the digital ecosystem, with a smart, efficient customer focus. These new technologies basically connect people and objects, and give new access to both traditional and newly created products and services.

This transformation requires a fundamental change in how we understand relations between customers and companies: we need to revise the strategy and the business model from the point of view of customer needs; and, starting with the customer experience, to start redesigning internal processes by incorporating new technologies and new ways of doing things.

ENDESA is very aware of this reality and of the opportunities it presents and, therefore, the digital transformation was an essential part of its 2020-2022 sustainability plan, with an investment of more than 314 million euros in 2020. These strategic lines of action are combined with the strong commitment that ENDESA maintains to the search for continuous efficiency through the digitisation of its businesses. To this end, ENDESA plans to develop investment plans in digitisation in all its businesses amounting to Euros 1.5 billion between 2021 and 2023. The largest such investments will come in Distribution, with Euros 1.3 billion invested in digitising the business, accounting for more than 85% of the investments announced for the period.

| Investment in digitisation by businesses (millions of euros) | | |
|--|--------------|--------------|
| | 2019 | 2020 |
| Distribution | 274.7 | 236.2 |
| Generation | 14.5 | 18.0 |
| Supply | 58.0 | 48.7 |
| ENDESA X | 4.0 | 11.5 |
| Total | 351.2 | 314.4 |

The customer

ENDESA is developing new IT tools to improve customer digitalisation and as well as new service channels and other products and services.

Consumer access to new technologies, their adoption and massive use, have transformed customers. This uptake involves new habits and customs by consumers in their personal and professional lives, and of course, in their relationships with companies. The vast majority of them are already or will be digital, connected and social customers.

Corporate assets:

ENDESA is making significant growth investments aimed at modernising and developing new infrastructures that respond to decarbonisation and electrification trends in the economy. The digitisation initiatives will continue to increase the level of automation and digitisation of the network, with significant projects such as a new phase of the Quality Plan and the Remote Control of the Network. All this is aimed at improving security of supply and service quality and responding to future customer demands.

In electricity generation plants, ENDESA is increasing its efforts to undertake the digitisation of the management of its generation facilities in order to increase the operating efficiency of the plants and improve their integration into the electricity system.

People

Considering that the digital transformation means that the company has to adapt its value proposition to the new digital customer and adopt new technologies in its value chain, one of the great challenges for the company is the transformation of the corporate culture to allow the style of leadership to evolve and to develop the technical and other skills necessary to successfully lead the transformation. In this regard, ENDESA is working in different areas to further the change in the organisational culture and the way things are done in the company. Therefore, the company expects that 100% of its staff will be able to develop their digital skills within the next three years.

ENDESA's digital transformation also includes improving data management processes, which entails, among other aspects, the use of the latest cloud-based data storage technologies and the development of digital platforms that enable growing interactivity and connectivity. ENDESA also prioritises compliance with demanding standards for promoting cybersecurity to drive digital transformation with the lowest possible risk.

ENDESA aims to be a data-driven company, using Big Data to guide its strategic, tactical and operational decisions. In this regard, management of qualitative and quantitative data will enable ENDESA to make decisions for a long-term sustainable competitive advantage. The company is working to position its existing data heritage at the centre of its business strategy.

ENDESA is also aware that the ways of working and interacting within companies are changing. That's why the company has decided to promote the agile (agile) methodology to support current transformations. This new way of working, which emerged from the Information Technology areas and is beginning to spread to other areas of the company, entails focusing on making deliveries to customers, in a short time and quite frequently, combining methodological thoroughness adapted to customer needs and the context of the development of products and services.

2. DIGITISATION OF ENDESA'S ASSETS

2.1. Digitisation of the thermal and renewable generation facilities

The generation facilities have two major digitisation programmes underway: Digiworld, which covers the Operation and Maintenance processes, both in thermal and renewable plants, and another that covers the engineering and construction processes: E&C Revolution 2.0.

Digiworld

It is an integrated operation and maintenance digitisation programme that will facilitate the homogenisation of processes between thermal and renewable technologies, generating a coherent and effective platform.

The digitisation of all operation and maintenance processes will increase efficiency and help in decision-making. All this will also contribute to improving the safety of workers, as well as that of the facilities.

All the tools have an architecture, a user experience and common adoption in all technologies and locations, always within the framework of the platform, in line with the company's strategy.

The programme also has post go-live support for users, as well as a measurement of the use and effectiveness of the tools in order to promote their continuous improvement.

This programme is designed to be developed in 4 years, from 2020 to 2023 and includes various important initiatives, the main ones being:

- **Contract Revolution:** platform that allows plant supervisors to manage the contracting process, including contract lists, documentation, workbooks and connection with other platforms that will ensure the traceability and efficiency of the entire process.
- **Digital Worker transformation:** development of mobile tools for field operators that enable them to provide key information in the field easily and quickly, reducing the time needed to complete work and improving operational security.
- **Global Operational System:** development and implementation of a single global system to more efficiently manage the analysis processes of the facilities through standardisation, guaranteeing the quality of the data, automation in the collection of information from the plants, and integration with other O&M processes.
- **HSEQ-Digitisation of Waste Management:** to improve the safety and traceability of waste management at the plant by introducing digital technologies.

E&C Revolution

It is a programme for the digitisation and homogenisation of processes, which is based on three main drivers:

- Automation of operations.
- Digitisation: fusion of data, technological platforms and physical devices to optimise processes and maximise the quality of information transfer to operation and maintenance.
- Innovation.

It includes various tools, the main ones being:

- **IUP: integrated user platform,** platform that supports all E&C processes.
- **BIM: building information modelling,** project engineering design automation.
- **Digsilent:** software for modelling and studying electrical power systems, that creates both static and dynamic models and simulations.
- **Active Safety System:** device for detecting people close to work areas with machinery.

- **GPS excavator:** precision excavation system with GPS technology, which can be semi-automatic, guided or manual.

These digitisation programmes are supported by a powerful technological infrastructure (servers, storage, networking and security), as well as communications, control systems (currently in technological renewal for the entire renewable line) and all of this ensuring the Company's cybersecurity policies.

2.2. Digitisation of distribution grids

2.2.1. Remote management and measurement control

EUSS Demand Management Approach

The objective of ENDESA's Remote Management Project has been to implement an automatic remote control and management system for electricity supply for domestic customers.

Throughout 2020, ENDESA carried out a total of 141,910 replacements, reaching 99.6% of the type 5 meters with an active contract and contracted power of up to 15 kW (11.82 million supplies).

This year, 84,229 type 4 equipment installations with remote management capacity (of supplies with contracted power between 15 and 50 kW) were also undertaken, reaching 94.6% of the target type 4 park.

| Low voltage ¹ Remote Management Plan (M installed remote management meters) | | | Medium voltage Remote control installation plan (number) | | | High voltage Remote control update (number) | | |
|---|------------|------------|---|--------|--------|--|------|------|
| 2019 | 2020 | 2023 | 2019 | 2020 | 2023 | 2019 | 2020 | 2023 |
| 12,178,152 | 12,389,380 | 12,645,997 | 20,858 | 23,955 | 43,639 | 260 | 336 | 361 |

¹ In BT it includes type 4 and type 5 meters

Other projects in Commercial Network Operations

AMMS (Automatic Meter Management System): In 2020, the necessary functionality was developed to comply with the new regulation:

- Creation of the new access rates established by the Tolls Circular and adaptation of the system to allow remote programming of all remotely managed meters before 1 April 2021.
- In compliance with the Operating Procedures published in BOE 305 of 20 December 2019, the functionality of taking a scheduled reading has been incorporated into the e-distribution website. Additionally, the option to request a repeated reading during a time interval configurable by customers has been added.
- The management in AMMS of supplies with self-consumption has been automated.

In the field of communications:

- Improvements have been implemented in the management of communications with the concentrators by the AMMS system, which has mainly made it possible to optimise on-line queries to the Telemangement meters.
- The possibility of communicating with the concentrators via fibre optics was incorporated into the system.

Finally, AMMS has developed all the necessary functionality to collect and process the information provided by the LVS (Low Voltage Supervisor) devices, installed in the transformation centres for their monitoring and alarm management.

Digitisation of the Energy Recovery Process:

- **Predictive models for detection of non-technical losses:** Work continues on application of machine learning and deep learning techniques to detect abnormalities and fraud, improving existing models and developing new models aimed at detecting new pockets of losses.
- **Predictive model for the automatic file evaluation:** Application of machine learning and deep learning techniques for automatic file evaluation with in-house predictive models developed at ENDESA.

2.2.2. Smart grid development

ENDESA's networks are being configured according to the SmartGrid model. Technification and the incorporation of Information and Communication Technologies (ICT) enable networks to give an effective response to users' needs.

Smart grids make possible a better integration of renewable and distributed generation in the electricity system, enabling strategies for its better operation, associated with consumption, and also allowing demand to be managed, making the load curve flatter and thus maximising the use of electrical infrastructures. At the same time they enable the development of the electric vehicle and the roll-out of the most comprehensive and advanced energy services and improve the quality of the electricity supply by reducing the response times in the event of breakdowns and facilitating the adoption of preventive and predictive maintenance strategies.

ENDESA is developing the Smart Grid concepts in different projects and innovation initiatives, with a strong role for the end user and always seeking to validate and test in real operating conditions.

The purpose of these lines of work is to analyse the evolution of the current energy model towards sustainability by implementing innovative technological solutions. The main objective is to contribute to the development and implementation of integrated energy solutions that enable energy savings and reduce CO₂ emissions, in line with the EU's 2030 objectives, with a sharp focus on the decarbonisation of the economy,

The following are some of the more notable projects for the development of smart grids:

- **Network Digital Twin (NDT):** It is a highly computerised, digital replica of physical assets and their management, development and maintenance processes, a large set of constantly updated, real-time field data from information originating from several sources. There are five important blocks in this project: 3D modelling and digitalisation of assets, IoT and dynamic data, Human interface, BIM modelling and Open NDT. In 2020, the 3D modelling system was launched, as well as the capture of information in the Malaga and Barcelona areas. In the same way, the first tests with augmented reality and virtual reality glasses have been carried out.
- **DIGI&N Iberia:** This is the programme for the digital transformation of the 30 most critical processes in the Iberian peninsular Infrastructures and Networks. Its objective is to promote best practices among the Group's countries, through disruptive efficiency, an agile operational model and the convergence of cutting-edge technology. In Iberia, after the end-to-end redesign of all 30 processes, during 2020 all the initiatives identified were started and carried out, under the operational model inspired by the agile philosophy, focusing on the customer, whether internal or external, as the central figure. After working on the investigation and introduction of new technologies to promote innovation and systems convergence (IoT sensors, digital devices, augmented reality, robots, big data systems and machine learning), we developed the associated functionalities, constantly

applying the working and project and process management methodology based on the “agile pillars”. At the end of 2020 all 47 initiatives were under way.

3. DIGITISATION OF CUSTOMERS

EUSS Demand Management Approach

3.1. ENDESA: Towards leadership in digital transformation

Consumer access to new technologies, their adoption and massive use, have transformed customers. This uptake involves new habits and customs by consumers in their personal and professional lives, and of course, in their relationships with companies. The vast majority of them are already or will be digital, connected and social customers.

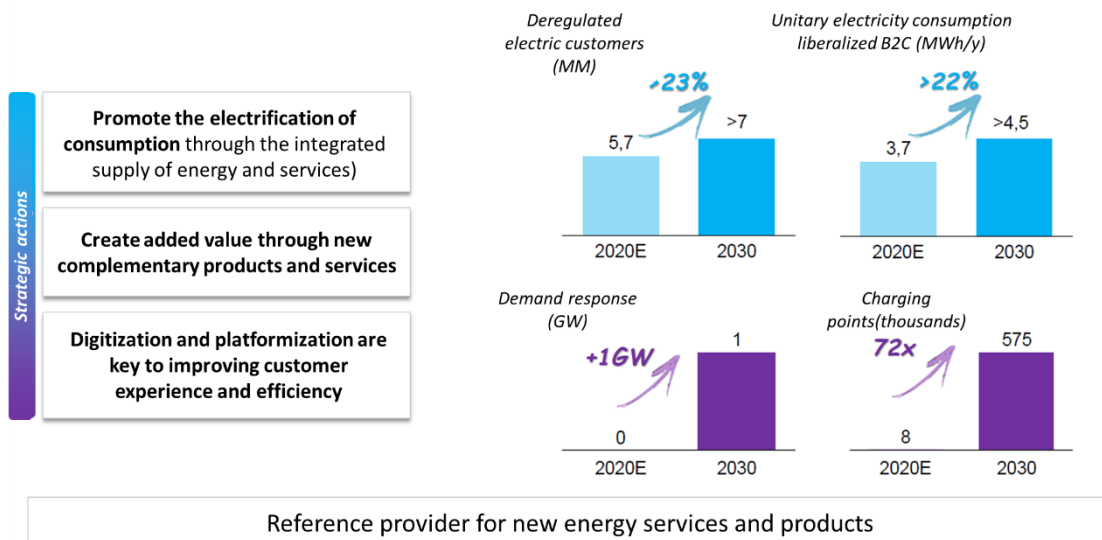
Since it is the customer that leads the way, ENDESA is developing new channels of attention and service, new IT tools that favour customer digitisation, as well as products and services that are essentially digital by their very nature.

In this context, digitisation is one of the basic pillars of ENDESA's Strategic Plan, as a lever to improve the “customer journey” with ENDESA and the efficiency of the processes.

Thus, through the adoption of new digital tools for the integrated management of value proposals and campaigns, time-to-market and commercial efficiency are improved, supported by the implementation of new processes and new technological platforms for the application of Customer Intelligence and Advanced Analytics capabilities.

At the same time, advances in digitising processes also allow us to capture opportunities to improve costs, thus fulfilling the ambitious goals of operational efficiency while at the same time maintaining a high level of customer service.

The customer at the center of our strategy



As a result of all this effort, in 2020 ENDESA received the ERC award for the Best Digital Transformation Project awarded by the Spanish Association of Experts in Customer Relations (AEERC).

3.2. Personalisation of the customer offer: Launch of the Única subscription model

As one of the key milestones of this digitisation and sustainability strategy, in November 2020 ENDESA launched Única, a revolution in the electricity market in Spain, since, unlike traditional electricity and gas rates, it is a personalised fixed fee that is individually adapted to the consumption of each customer. Unica uses 100% renewable energy sources, and there are no lock-in periods or penalties. The scheme also rewards efficient consumption by giving customers bonuses.

PORQUE NO TODOS SOMOS IGUALES, TENEMOS ALGO ÚNICO PARA TI.

Única de Endesa

ENERGÍA SOSTENIBLE 100%

¿POR QUÉ ÚNICA DE ENDESA?

- Única porque tienes una cuota fija mensual personalizada. Te calculamos una cuota pensada únicamente para ti, basada en tu histórico de consumo de energía y en los servicios que quieras contratar.
- Única porque es sin permanencia. Consume la energía que necesites sin penalizaciones a final de año y sin permanencia.
- Única porque es energía 100% sostenible. Toda la luz que consumes proviene de fuentes 100% renovables y el gas está libre de emisiones de CO₂ a la atmósfera.

Además, si eres eficiente en tu consumo y superas nuestros retos ¡tendrás descuentos en tu factura!

CÁMBIATE AHORA Y TENDRÁS, ¡UNA CUOTA GRATIS!

Infórmate y contrata aquí

ÚNICA BY ENDESA

"ENDESA presents a new way of consuming energy as unique as you are.

- ✓ **Unique** because you have a **personalised fixed monthly fee**, based on your consumption history and the services you need.
- ✓ **Unique** because you have all the energy of your home in **a single bill**.
- ✓ **Unique** because you can consume **what you need without your fixed fee being altered**, as long as it is **moderate and responsible** consumption.
- ✓ **Unique** because all the electricity you consume comes from **100% renewable sources** and the gas is free of CO₂ emissions to the atmosphere.
- ✓ **Unique** because you can choose from among the packages with the **services that best suit you**.
- ✓ **Unique** because you contract **without complications**.
- ✓ **Unique** because you reduce your bill even more by overcoming a few simple **efficiency challenges** in your consumption."

The company has set out to establish new relationships with electricity and gas consumers by committing to adapting to different types of families and their way of life. ENDESA sees this is a particularly appropriate scheme at a time when households' electricity consumption is uneven because of the situation caused by the pandemic.

Única by ENDESA gives users, whether or not they are customers of the company, the opportunity to see what their personalised gas or electricity charge would be in just a couple of minutes, free of charge, thanks to the predictive models in the sign-up chat.

Based on the user's household consumption history, the platform analyses and presents different packages, adapted individually to their habits. The less gas or electricity they use, the lower the instalment will be.

This allows ENDESA to give consumers the freedom to choose the services they wish to include in Única. To do this, it is offering three types of fee arrangement depending on which services the customer wants to include, which may also include annual maintenance reviews or repairs.

Única will also be used as a platform that will gradually include services from different sectors to make life easier for households.

Bonuses for overcoming energy efficiency challenges.

ENDESA, in its desire to encourage Única by ENDESA customers to adopt efficient consumption habits and make energy savings, is also offering the additional innovation of financial bonuses if they manage to achieve some simple monthly challenges. These challenges are set individually to encourage energy-saving habits and lower consumption. Users who manage to meet their monthly challenges will get a reward from ENDESA, which will automatically apply a discount to the next instalment.

The first ecological rate, with 100% sustainable energy

In addition, ENDESA intends to continue making progress towards the sustainable development of its customers' energy by encouraging them to take care of the environment. For this reason the electricity supplied to customers who sign up for this rate comes entirely from renewable generation sources (wind, solar, hydraulic, etc.), certified by the CNMC.

Apart from this, ENDESA offsets the CO₂ emissions linked with its customers' gas consumption by participating in forestry projects that contribute to the mitigation of climate change and are verified using the main national and international standards. These projects are based on reducing emissions using the sink effect of forests, which also improve biodiversity and help communities in the countries in which they are implemented. They were verified by VERRA, a highly reputable non-profit organisation that issues these certificates after undertaking rigorous checks. As Única grows, we will continue to rely on organisations with the same profile to maintain the same standard in the quality of our emissions offset credits.

With this new proposal, ENDESA will be helping to promote good energy consumption habits among its customers with a more personalised offer, without surprises and with an environmental conscience thanks to the use of 100% sustainable energy.

3.3 New digital and sustainable platforms and capabilities, putting the customer at the centre:

With the customer as the central focus of its action, ENDESA continues to develop its "digital and sustainable ecosystem". Specifically, during 2020 it continued to complete this digital ecosystem. Important milestones included:

- **New channels:**

- The possibility of interacting via voice assistants such as Alexa and Google Home has been made available to customers, as have Accounts with the WhatsApp Business certification for customer service through the WhatsApp channel.
- **CallBack in Telephone Channel**, to increase customer satisfaction in their interaction through the CAT and avoid abandonment at peak times in the Contact Centre.
- Strengthening of **alliances with leading digital platforms** (Google, Amazon) and the **network of collaborators** (resellers, aggregators) that amplify and enhance the response capacity to customers.
- **Digitisation of channels and communications:**
 - Redesign of the corporate and customer websites to unify them in a single entry point (www.endesa.com); implementation of the EnergiaXXI website and app (regulated market supplier),
 - Advances in digitisation of customer communications, etc.
- In Portugal, the following stood out in 2020:
 - Launch of **MyENDESA 2.0**, based on the improvement of UX for the customer and the implementation of new functionalities and information.
 - **Launch of the Fotofactura (photo invoice) Channel:** digital channel through which customers can send a photo of their invoice, on the basis of which ENDESA makes an offer tailor-made for their case, in a simple and agile way for the customer.
 - Inclusion of **telephone service within the** existing **BPO** in Portugal: This new approach allows for significant front-back integrations, as well as pushing the provider to actively participate in improvement and automation initiatives.
 - Participation in the **MUDA project**, with more than 2.5 million people affected, with the aim of encouraging and facilitating Portuguese consumers to sign up for digital services (such as digital invoicing, communication via e-mail, use of the private area of the online office, etc.).

At the end of 2020, there were already more than 5.5 million ENDESA customers who regularly used this digital ecosystem We would highlight:

- The promotion of the digital invoice and the help provided to customers in understanding it (more than 600,000 new customers with digital invoice in 2020);
- The development of new digital, sustainable products in addition to Única, such as the Homix home solution, which gives simple control over heating, security, lighting and all other devices in the ecosystem of a smart home.
- Increase in customer digital transactions without damaging their experience with ENDESA Portugal, with 62% of customer orders (cases created in Salesforce) being placed through digital channels in 2020.

As regards new comprehensive customer relationship platforms, during 2020 and 2021 new CRM systems are being implemented with domestic customers (B2C) and business customers (B2B), which improve their relationship and experience with ENDESA processes, as well as internal efficiency, based on:

- The redesign of the applications based on the functional needs of the customer (central focus) and their relationship over time with ENDESA;
- Their adding value to customers' experience as users of the channels and responding to their degree of digitisation,
- And their improving the quality of customer service and response times, from any device and at all times, based on the Salesforce technology platform.

Additionally, Advanced Analytics digital capabilities continue to be developed to improve the quality of the service offered and the quality of internal processes, on specific issues such as, for example:

- Providing the sales forces and service channels with digital tools enabling them to provide better customer advice based on their profile;
- Proactively using information on complaints, enhancing their diagnosis and establishing corrective measures in time, etc.

4. DIGITISATION OF OUR PEOPLE

ENDESA is continuing to make important changes to transform itself into a more digital and innovative company, and considers it necessary to continue training its employees and equipping them with the best digital tools, thus contributing to promoting the cultural change required by the Company.

4.1. Work environment

Open Power Space

The work environment as the priority of the company's cultural and digital transformation

Open Power Space is a collaborative work nucleus designed to promote creative processes and connections among people. It also facilitates the development of innovative projects capable of responding to the challenges emerging from a new, more efficient and sustainable energy model. But beyond a physical space, the Open Power Space is charged with promoting the cultural and digital transformation of the Company and its people. Furthermore, its open design is conceived to enhance collaboration, creativity, the use of new work methodologies, as well as the way to foster connections between ENDESA personnel and its external collaborators.

The Coronavirus health crisis has affected all areas of life. But there was a positive side: the Open Power Space adapted quickly and, relying on new technologies, has managed to continue its activity.

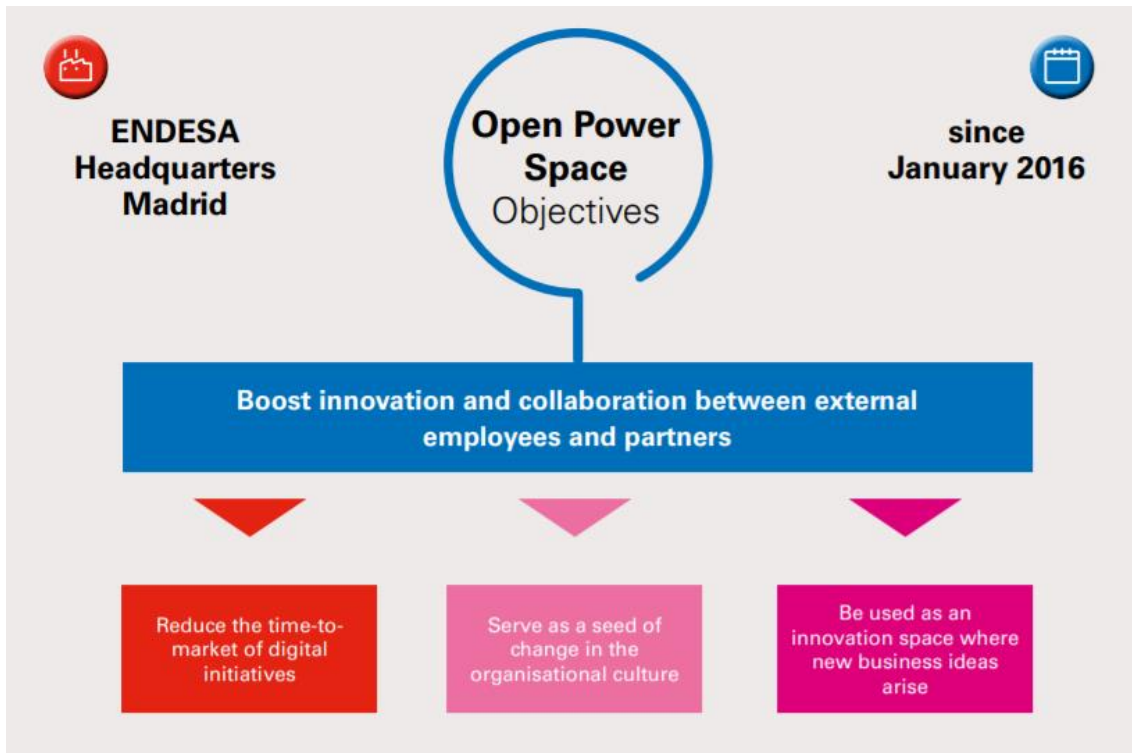
During 2020, three breakfasts were organised with the CEO and the general managers of all business lines. The latest trends in management and innovation to face the challenges emerging in the energy sector were presented. The topics covered were: how to generate value through new leadership models, behavioural economics and platforms as a business model.

Three lectures were also held, aimed at disseminating knowledge aligned with the three pillars of the Open Power Space concept (technology and innovation, new methodologies and collaborative tools).

The Open Power Space also hosted the presentation of the new interactive training on unconscious biases, HER. In this gamification, HER is an artificial intelligence that aims to make conscious and objective decisions thanks to the person who takes the course. And that is what determines the score, the type of decision that is made and the time it takes to choose it.

These initiatives draw attention to the work done in each area and open collaboration between the different lines of business regarding certain technologies to provide solutions to new business challenges. Surveys show that these sessions facilitate connection among employees from different lines of business and add value to their work routine.

The Open Power Space has a web page that employees can access to see the activities and events organised. In addition, the materials presented in the sessions are published on this website, promoting transparency and knowledge transfer among employees.



Open Work

With the aim of adapting its spaces to a new way of working and improving energy efficiency, ENDESA started work on the Open Work project at its headquarters in 2019. In previous years, a pilot experience had already been carried out in the headquarters of the new ENDESA X business line. After a good reception from employees, this model has been extended to the entire building.

Thanks to Open Work, work at ENDESA will be more agile, technological, efficient, flexible and open. This layout is also aligned with the digital transformation of the company and with the agile methodology, a consequence of the current digital environment. In 2020, more than 375 employees moved to this new workspace, bringing to nearly 730 the number of people from the Digital Solutions, Procurement and Power Generation units currently enjoying these completely renovated spaces.

These spaces have been fully renovated with individual workstations, isolated work areas, closed meeting rooms, open informal meeting areas and reception areas for employees who are visiting from other locations. Lighting has also been upgraded, replacing old fluorescent tubes with LED lamps for greater energy efficiency.

Acoustics have also been taken into account by replacing the ceiling of the entire floor. Sound absorbing panels have been used in work areas, with filter panels in transit areas and meeting rooms with a high filter to reduce noise levels. There are specific printing and scanning areas and each meeting room has a new technological equipment. These spaces have collaborative technology, aligned with the Company's strategic objectives. The new space is equipped with 100% wireless connectivity. All meeting rooms with "Salas Conecta" have the latest video conferencing technology to connect with the touch of a button. They also have high definition cameras and an interactive whiteboard. Touch screens allow remote interaction and collaboration with colleagues via email. There are also wireless projection facilities through corporate devices.

During 2020 we continued to extend these new work spaces in Madrid, redesigning them to adapt them to the new COVID-19 prevention scenario and promoting collaborative spaces.

Tech Bar and virtual workshops

This space is in ENDESA's headquarters in Madrid and facilitates daily use of technology for a better user experience in an open and friendly environment, in line with the ways we currently consume technology. Employees receive personal support at their disposal through a technician who helps them resolve doubts or incidents with their corporate technology.

Likewise, the Tech Bar is a place for learning about new ways of working, through workshops, demonstrations and explanatory talks on how to make the most of computer programmes in their daily activities.

Continuing with the dissemination work of previous years, during 2020, 55 workshops were held, of which only 8 were face-to-face during the first quarter, being virtual the rest of the year, on collaborative work tools and Digital Routines, which were "attended" by 526 people, who highlighted in the surveys the effectiveness of these short and practical sessions and gave a high assessment of them.

This year 5 routines were published, focused on archiving in the cloud, OneDrive, SharePoint and Teams, essential for the development of remote work without affecting the teams. Teams has established itself this year as the corporate collaboration tool.

The '21 Dias' Digital Routines site received 63,327 visits from 5,540 different users and 299 subscribers who permanently follow all the publications.

4.2. Digital skill development

As part of its digitisation strategy, ENDESA focuses on the value of people since digital transformation is closely linked to the transformation of people.

ENDESA's digital skill training programmes allow people to add to their technical knowledge of technology, change management skills that are the new paradigm of the digital age and the new work model, to attain a more systemic vision and achieve a positive, sustainable impact. Training in digital transformation in 2020 reached a record in recent years with the delivery of 33,174 hours.

In 2020, a year marked by the COVID-19 pandemic, the digitisation process on which ENDESA was already embarked accelerated and brought with it a new work model that has been a boost to the training of people in digital skills, adapting their professional skills to those that are in demand in today's market.

Working from home, implemented in 2017, was extended to the majority of the workforce and with this, training in digitisation increased in quantity, quality and efficiency, to promote transformation; help people to change, to grow, to gain efficiency; and strengthen the values: trust, proactivity, innovation and responsibility.

Training programmes



Data Driven

Recopilar, mejorar, analizar y comprender cómo y por qué los datos se ha convertido en algo fundamental para ser competitivo y mantener el crecimiento de Endesa. Guiar a las personas en la implementación de una cultura centrada en los datos, en la adopción de nuevas tecnologías, como el *machine learning*, y en la potenciación de su talento y las habilidades necesarias.



Digital Skills

Dirigido a personas que requieren una visión del mundo digital en su grado más técnico, profundizando en las herramientas digitales propias de las distintas áreas de Endesa



Digital Soft Skills

Las personas son clave para llevar a cabo la transformación digital con éxito. Por ello, la información y la capacitación son fundamentales, ayudar a las personas a adquirir estas habilidades necesarias para afrontar nuevos retos. Algunos de los aspectos que se tratan son las herramientas de **Design Thinking, gestión de la innovación, agilidad empresarial**, procesos de generación de ideas, prototipado, cocreación o la gestión bimodal.



Office 365

Capacitar a las personas en un mejor uso de las herramientas del paquete de Microsoft Office 365



Rutinas digitales

Promover buenas prácticas digitales para poder incorporar nuevas rutinas cada 21 días. Se trata de un itinerario formativo online con prácticos trucos y consejos para sacar un mayor rendimiento a las herramientas digitales, tanto en el uso personal como colaborativo. Vídeos breves de entre 2 y 4 minutos de duración con indicaciones claras y concisas, para convertirse en digital en 21 días



Seguimos Junt@s

Webinars y cursos online para acompañar a las personas en su aprendizaje sobre herramientas colaborativas digitales; gestión de equipos; comunicación; inteligencia emocional.



Trabajar a distancia

Liderazgo y gestión; gestión del tiempo; gestión emocional.



Transformación Agile

Conocer en profundidad las técnicas de desarrollo Agile para llevar a los equipos a un nivel de alto rendimiento en la entrega e integrar el valor de la gestión de servicios en una dinámica de trabajo ágil

INNOVATION AND CYBERSECURITY

INNOVATION



| | Line of action | 2020 Objective | 2020 Profit/Loss | Key actions |
|------------|--|------------------------------|--------------------------------|--|
| Innovation | Promotion of open innovation (number of projects + number of challenges launched) | Projects: 8 Challenges: 3 | Projects: 13 Challenges: 14 | The use of Open Innovability as a platform to present innovation and sustainability challenges continued. Development of the relationship with entrepreneurship ecosystems, with entrepreneurs and start-ups through the Innovation Hub Europe. |
| | Promotion of collaboration with start-ups for the development of new energy solutions and the improvement of internal processes (number of projects) | 5 | 13 | |

1. INNOVATION AT ENDESA

1.1. Investing in innovation

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ENDESA has a strong commitment to innovation. The Company considers it a strategic element to address the challenges of all areas of the company, which means that it must be part of all its activities.

For this reason, ENDESA develops projects, invests resources and, ultimately, takes the initiative in this matter from all its business lines.

| Investment in R&D (millions of euros) | | | |
|---------------------------------------|--------------|--------------|--------------|
| | 2018 | 2019 | 2020 |
| Supply | 0.15 | 0.28 | 0.52 |
| Generation | 3.81 | 5.14 | 1.85 |
| Nuclear | 2.09 | 2.12 | 1.63 |
| Renewables | 0.15 | 0.44 | 1.84 |
| Distribution | 4.27 | 11.46 | 7.20 |
| Total | 10.47 | 19.44 | 13.04 |

1.2. The open innovation model

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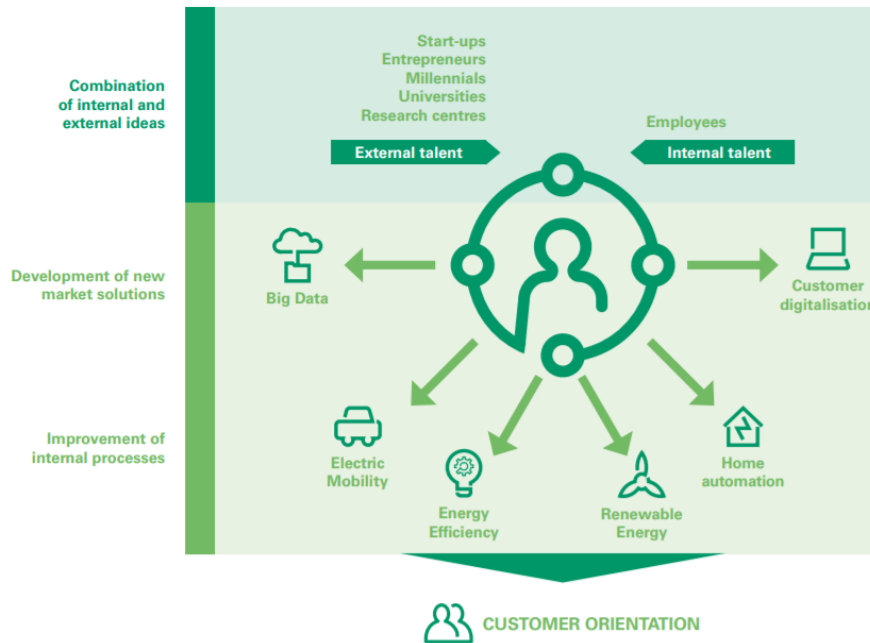


ENDESA has an open innovation model that allows it to create the best solutions, products and services with the aim of continuously transforming the current energy model. This model allows us to maintain a privileged relationship with universities, research centres, entrepreneurs and suppliers promoting collaboration and knowledge exchange.

The adoption of this model by ENDESA seeks to maximise the capacity for innovation from within and from outside the organisation. From within, developing a culture of innovation in employees that fosters this continuous improvement, creativity and continuous transformation of the energy model. From the outside, taking advantage of the opportunities that our collaborators offer us through an ecosystem that encourages the creation of new business opportunities, growth and the development of new business ideas throughout the energy value chain. All the businesses take part in this model in order to be constantly improving and growing; from conventional generation, renewable generation, the infrastructures and networks that transport it, to value-added products and services for all kinds of customers, whether residential, SMEs or large companies.

The digitisation of the business has remained constant in recent years at the centre of ENDESA's efforts. This digitisation has allowed ENDESA to adapt to a totally digital environment that has been experienced as a result of the pandemic, not only allowing the relationship with customers to be handled remotely, but also allowing the Company to continue improving its own business processes in this exceptional situation and developing increasingly disruptive products and services.

ENDESA's open innovation approach



1.2.1. Openinnovability.com: our global digital gateway

OPEN INNOVABILITY (<https://openinnovability.enel.com/>) is the platform through which ENDESA presents innovation and sustainability challenges, both for Group employees and for start-ups, independent innovators, universities, research centres, potential business partners, NGOs and other associations.

Through this channel, the company publishes specific challenges related to topics of special interest, openly to the entire entrepreneurial ecosystem, or to employees of the entire group, thus maximising the generation of ideas and business opportunities with companies. who propose their ideas.

During 2020, a multitude of challenges were launched, relating to such varied topics as renewable facilities, security, solutions for persons with disabilities, smart cities and the digital experience with customers. These challenges cover all the needs of Sustainability, Environment, Generation, Distribution and both residential and business customers.

Some examples of these challenges are:

- Improving automation in the construction of renewable facilities.
- Improving the operation and maintenance of renewable plants.
- Improving the safety of employees
- Remote maintenance for industrial and residential facilities.
- Collaboration with the European Space Agency for the reduction of plastics.
- Improving the mobility of persons with disabilities in buildings.
- Open Data Solutions for Cities.
- Improving customers' digital experience

1.2.2. Attraction of external talent: ENDESA and entrepreneurs

ENDESA maintains its commitment to working with entrepreneurs and start-ups, due to their capacity for disruptive innovation, their use of technology, their know-how and, above all, their agility to develop and bring products and services to market in the shortest possible time.

ENDESA, as part of the Enel Group, benefits from the activity of the Group's ten Innovation Hubs, and specifically from the Enel Innovation Hub Europe opened in Madrid in 2017. These Innovation Hubs are located in important entrepreneurship centres and strategic markets for the Group around the world: Brazil, Chile, Spain, Israel, Italy (Milan, Pisa and Catania), Russia and the United States (Boston and Silicon Valley). The Enel Innovation Hub Europe is responsible for developing the relationship with the relevant entrepreneurial ecosystems in Europe, including the entrepreneurial ecosystems of the Spanish and Portuguese markets, where ENDESA is present, and for prospecting European start-ups and SMEs that can provide a response to the challenges of ENDESA, as well as the rest of the Enel Group companies.

Despite the difficult scenario caused by the COVID-19 pandemic, the ENEL Group maintained its activity with entrepreneurship ecosystems throughout 2020, taking advantage of digital communication channels, thanks to which it carried out the prospecting of more than 2,600 solutions developed by start-ups and SMEs around the world. Of these, more than 190 are Spanish and Portuguese. Also, more than 60 collaborations with start-ups and SMEs were activated globally, of which 7 were Spanish start-ups. As part of the start-up prospecting activities, in 2020 the ENEL Group launched “ReShape: Innovability to build a brighter future”, a global call with nine challenges, throughout the entire value chain of the company, that have gained relevance or that have arisen as a result of the new scenario.

Among the collaborations carried out by ENDESA and other ENEL Group companies in 2020 with start-ups and SMEs from Spain, Portugal and other European countries, the following stand out:

| Collaborations | | |
|-------------------|-------------|---|
| Alesea | Italy | Devices for the intelligent monitoring of cable reels. |
| Appfollow | Finland | Solution for the automatic management of comments received on ENDESA's apps. |
| Ates Tech | Spain | Robotic pipeline inspection. |
| DAIL Software | Spain | Solution for the Trading area based on natural language processing (NLP). |
| Game Learn | Spain | Training based on experiences aimed at the sales force. |
| Hovering | UK | Robotic inspection of pipes and open channels. |
| Karten Space | Spain | Processing of satellite images with application in various business areas. |
| NIDO Robotics | Spain | Underwater ROV for inspection and intervention in thermal generation facilities. |
| Nnergix | Spain | Analysis of the impact of atmospheric catastrophes and map of risks in distribution infrastructures. |
| Odit-e | France | Meter mapping algorithm to identify the configuration of the electricity grid. |
| Officina del Sole | Italy | Portable kit for the calibration of pyranometers in the field. |
| Omniflow | Portugal | Smart lamppost that integrates lighting, surveillance and telecommunications services for applications in smart cities. |
| Optimitive | Spain | Artificial Intelligence applied to the optimisation of the combustion process in thermal generation. |
| Recyclalia | Spain | Recycling of wind turbine blades. |
| Relogable | Spain | Sensorisation of high and medium voltage networks to measure the sag of the line. |
| Smart Tower | Spain | Sensorisation of high and medium voltage networks for the analysis of their structural integrity. |
| Sonobex | UK | Specialised materials for reducing the noise of HV/MV transformers. |
| Weber Solutions | Spain | Analytical tool for monitoring the activities carried out by agents in the call centre. |
| Wegaw | Switzerland | Solution based on the processing of satellite data to predict the impact of thaw on the level of reservoirs. |

Continuous contact between start-ups and ENDESA experts during the development of projects encourages the generation of new challenges and ideas, as well as improvements to be made, which becomes a framework of mutual benefit for entrepreneurs and the company, enabling the rapid development of new solutions.

As a sign of ENDESA's support for entrepreneurship, the company sponsored the “South Summit” for the seventh consecutive year, the largest show of innovation and entrepreneurship in southern Europe, which took place between 6 and 8 October 2020. On this occasion and adapting to the circumstances, the event was streamed, reaching an audience of 52,000 people in 120 countries.



1.2.3. The innovation culture at ENDESA: Idea Hub

The creation of a culture of innovation among ENDESA employees as a key factor for transformation in a context of energy transition is a priority objective for the company.

In this way ENDESA structures its activities through Idea Hub to promote creativity, a culture of innovation and intrapreneurship in the company, through the promotion of the use of creativity methodologies, intrapreneurship projects and training programmes in specific innovation tools.

This activity is established through different programmes:

| Programmes | |
|----------------------------|---|
| “Make it Happen”: | The intrapreneurship programme that offers ENDESA employees the possibility of becoming entrepreneurs within the Company. |
| Challenge Driven Sessions: | Application of innovative methodologies (Creative Problem Solving, Design Thinking, Lean Start-up) for the search for solutions to challenges faced by the company. |
| Innovation ambassadors | Global network of energising employees within the company with actions to facilitate, mentor and disseminate innovation. |
| Shakers Community | Online thematic community for employees interested in innovation. |
| Innovation Academy: | Training programme specialising in innovation tools. |

1.3. Innovation in energy supply

ENDESA has completed the Confía project, an Agile project to improve the management of vulnerable customers with blockchain. This project is an example of open innovation in which ENDESA, the Malaga City Council, the University of Malaga, two software providers and Alastria have collaborated on a world pioneering project that allows better coordination between the public administrations involved, social services and energy companies. Blockchain technology allows the creation of a shared, reliable, immutable, traceable and secure grid that prevents power cuts to vulnerable customers. This project combines ENDESA's social commitment, technological innovation and the constant search for efficiency in processes.

ENDESA has launched the first energy subscription model: Única. It represents a revolution in the sale of energy. Thanks to digitisation and 'big data', an individual personalised price is offered for each customer, allowing the customer to always pay the same, without penalties, with 100% renewable electricity and emissions-neutral gas, 100% digital, and also includes a plan of challenges in which efficient consumption is rewarded. With this proposal, ENDESA also offers additional services that can be included in Única, such as annual maintenance reviews or repairs and little by little, services from different sectors will be incorporated to make life easier for homes.

1.4. Innovation in electricity generation

Within the Generation business, and in line with the dynamics of recent years, innovation is managed under an open innovation model. This model is based on the active collaboration of external entities, such as start-ups, large technology providers and research centres, and through the promotion of internal innovation, by creating specific programmes for the generation of new ideas, such as the Make it Happen programmes and the PowerG programme specifically focused on generation activities. This model promotes innovation as a key tool in incremental improvement and in the evolution of the entire business value chain in the medium term.

The focus of new innovation projects, in line with the change experienced in generation technologies in recent years, is aimed at accompanying this technological change and validating new systems and technologies that will be of great importance in the medium term in the context of fully decarbonised electricity generation. From that point of view, innovation is a key tool to foster this transformation.

Although this open innovation model applies to all generation lines and technological areas, both in the construction phase and in operation, in 2020 the following strategic areas can be highlighted where a very important part of the main innovation projects of the generation business line was developed:

- Energy storage projects, with special interest in new technologies that reduce the cost of energy storage, as well as improving its environmental impact by reducing the use of toxic or flammable elements. In this area, we must highlight the SELF project in Melilla for the use of second-life batteries from electric vehicles as stationary storage, the demonstration projects for flow and solid-state batteries developed in Mallorca, and the feasibility studies of the technology of energy storage in liquid air.
- Projects for the introduction of robotic solutions in plant Operation and Maintenance processes, in order to improve asset inspections, both in technical capacities, being able to inspect areas that were not accessible, as well as reducing risks for people, by reducing people's access to areas with intrinsic danger, such as underwater tasks, confined spaces, or work at height. In this line, the deployment of drone-based solutions has continued both for conventional power plants and for hydroelectric, solar and wind plants, with the creation of pilot schemes among internal personnel. The development of solutions based on robots for underwater inspection and maintenance actions has also continued. Finally, specific projects have been started for the development of maintenance robots in solar photovoltaic plants, as well as robots for the inspection of conduit and channel infrastructures in hydroelectric plants.
- Projects focused on the construction process of new renewable generation plants. This type of project fundamentally seeks to improve three aspects:
 - The efficiency of the process, allowing a reduction in development costs and minimising the environmental impact.
 - A reduction in the time required to carry out the work, a key aspect in the accelerated decarbonisation process promoted by the company.

- Improvement in safety aspects for workers on site, reducing existing risks.

Some of the most outstanding activities in this field include the incorporation of systems for conducting virtual visits to monitor the work, the incorporation of exoskeletons to help with the assembly of equipment, and the incorporation of BIM technology and artificial intelligence for monitoring the construction process.

- Innovation projects to improve the end of life of equipment and systems, with a circular economy approach. Within this type of projects, it should be noted that two projects have been started focused on the end of life of wind assets with a special focus on recycling the composites that make up wind turbine blades, and a second project focused on the recycling process of lithium ion batteries.
- Projects to improve the environmental impacts of generation activities. In this area, it is worth highlighting the agrovoltaic pilot projects that have been started this year in 5 plants in Murcia, Extremadura and Andalusia. Also activities focused on the validation of new processes for the treatment of contaminated soils and more environmentally sustainable solutions for use in landfills in process of closure. Finally, the project based on artificial intelligence to improve the protection of bird life in the vicinity of wind farms should be highlighted.
- Projects for the reduction of occupational risks in the activities of operation and construction of new plants. In this type of projects, we would mention the use of artificial intelligence technologies for artificial vision, new technologies of intrinsic safety in machinery, as well as virtual reality technologies for training.

1.4.1. Innovation in generation from nuclear energy

ENDESA has continued to invest in R&D in the nuclear field, through participation in different programmes. ENDESA holds the secretariat of the CEIDEN Spanish Nuclear Fission Technology Platform, which coordinates R&D+i activities in the sector. Likewise, through the Nuclear Energy Committee of the Nuclear Forum, the Company promotes research projects of interest to its nuclear power plants. Some particularly important programmes are:

- EPRI nuclear programme, which aims to achieve operational excellence in nuclear power plants. In 2020 investment amounted to Euros 1.7 million.
- Investment in the R&D and Technological Innovation (IT) projects of the investee nuclear power plants of Ascó and Vandellós (ANAV) was Euros 3.8 million, obtained from the 2019 tax deductions.

ENDESA's nuclear power plants, thanks to investments in innovation, are prepared for long-term safe operation, beyond 40 years. This long-term operation of the plants, which do not emit CO₂, and their significant contribution to production in the Spanish electricity system, favours the reduction of greenhouse gas emissions at the national level.

ENDESA, through EPRI, participates in research programmes to improve generation processes in a large number of areas such as: materials management, chemical and fuel treatment, improvement of plant performance and a variety of strategic initiatives. These programmes are developed jointly by all EPRI members distributed throughout the world.

More details of the programmes that are carried out can be found at <https://www.epri.com/research/sectors/nuclear>

1.5. Innovation in the electricity distribution network

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Projects are classified into several areas of action:

1.5.1. Smart Grids/SmartCities projects

Their objective is to enable grids to offer an effective response to their users' needs.

- ENDESA is implementing different initiatives for the digitisation of the network, validating technological solutions in Living Labs. These laboratories are real environments, under normal operating conditions and with the presence of end users, where products and services typical of smart grids are tested and evaluated. In urban environments, and medium and low voltage networks, **SmartCity Málaga Living Lab** has been the scene of innovation projects for ten years. This Living Lab, a member of the ENoLL network of European laboratories, currently hosts one of the demonstration regions of the European COORDINET project, together with Cádiz, focused on providing the distribution network with flexibility, in addition to facing the second year of the PASTORA project, with the development of predictive and analytical tools for improved maintenance and operation of medium and low voltage.
- Preventive Analysis Project for Smart Networks with Operation in Real Time and Integration of Renewable Assets (**PASTORA**): Complementary project of the Advanced Monitoring and Control Project for Medium and Low Voltage distribution networks (MONICA). In 2020, the development of the linking algorithm with field tests continued and a network monitoring application was developed (ADMS) as well as the installation of Smart transformers and Smart panels in the Living Lab training centres.
- Project “Resilience to cope with Climate Change in Urban Areas” (**Resccue**): This project focuses on assessing the impacts of climate change on the functioning of essential services in cities such as water and energy, and on providing models and practical and innovative tools to improve the resilience of urban areas to current or future climate scenarios. During 2020 the project was completed and the results presented to the European Union.

1.5.2. Flexibility Projects

Development of projects to create the network and platform conditions that will allow consumers to supply power that is not currently used back to the grid, taking advantage of the flexibility of small generators to improve the stability of the network. This category includes the Coordinet and Microgrid Blue initiatives.

- “**Coordinet**” project: Creation of a European energy platform to open the market to consumers, taking advantage of the flexibility that small generators can provide and of power that is currently not used to improve the stability of the network. During 2020, the sensorisation tools and the necessary platform started to be developed to carry out the first demonstrations in real scenarios, in Malaga and Cádiz.
- **Microgrid Blue** project: the project "Intelligent microgrids for the massive integration of renewable energies distributed in the electrical systems of the Canary Islands and West Africa", is developing tools to help the management of electrical networks and the operation of island systems in scenarios of massive penetration of low power renewable sources.

1.5.3. Projects and proofs of concept for network innovation

Development of innovation projects that allow rapid technological validation through a test in live laboratories on the network.

| Project | Description | Activities 2020 |
|---|---|---|
| Aerial-Core | Development of an integrated aerial cognitive robotic system (drone) that will have capabilities in the range of operation, handling of network elements with a robotic arm and security in the interaction with people | Development of functional specifications. |
| Risk map (NNERGIX) | Creation of an application to measure risks in airlines, combining the data and functionalities of the NNERGIX Sentinel application and Vegetation risk maps. | Development of the architecture and implementation of a test on a Weather Sentinel platform. |
| E-Access control (I'm in) (Open&me) | PoC for changing the access procedure to remotely controlled facilities through an application that communicates with the control centre and incorporates the functionality of access control on demand through the use of a padlock and smart key | Completion of the integration of the system in the control centres and initiation of tests with a second manufacturer of electronic locks. |
| Delimitation of areas in thermal plants (Holoroach) | Development of a high-precision monitoring system to help prevent access to risk areas within closed spaces such as substations (MV/LV). | Start of product definition work for field testing in 2021. |
| Cable reel monitoring (Alesea) | Validation of smart cable reel monitoring devices to detect the amount of cable used and the location of the reels and their use. | Sensor installation and testing. |
| HV/MV transformer noise reduction (Sonobex) | Limitation of noise emissions through the use of specialised materials for noise reduction. | Testing with a transformer in urban areas of Barcelona and sonometric studies. |
| Reconstruction of the network topology (Odit-e) | Development of a meter mapping algorithm to identify the configuration of the electricity grid and the customers connected to each distribution transformer, line and phase. | Carrying out the first algorithm tests. |
| Advanced monitoring of HV lines | In forest environments, and high and medium voltage networks, the Garraf Living Lab (Barcelona) is starting to conduct tests of different sensorisation technologies, for line sag and structural integrity. These technological tests are carried out in collaboration with Thales Alenia, Relogable and SmartTower. | Installation of two local autonomous weather stations, as well as the use of tools based on satellite technology to monitor the pylons and power lines. |
| Predictive maintenance of HV substations (DT) | The objective of the project is the predictive maintenance of substations through temperature measurement. | Temperature measurement in MV cabinets in MATA and other substations. |
| Reset | Development of a low voltage 4-branch Statcom converter. The objective is the reduction of neutral currents and the minimisation of technical losses of the network. | Installation of the Living Lab Málaga with remote assistance, correcting the imbalance between phases of the same low voltage line. |
| Satellite vegetation prediction (CGI) | Algorithm to estimate the growth of vegetation combining satellite images to estimate the growth parameters of vegetation and trees. | Development of the algorithm for estimating growth parameters. |

1.6. Innovation at ENDESA X

Transforming cities to improve citizens' quality of life.

Innovation projects in the environment of cities aim to facilitate access to ever better and faster services, creating a cleaner and more sustainable urban environment, in short, improving citizens' quality of life. The main innovation projects carried out in 2020, and which have been marked by the search for solutions for the COVID-19 pandemic, are:

City Analytics

This technology, developed by Innovability, is a support tool for public administrations that allows a detailed description of the situation in urban centres to be obtained. Using big data analysis, and fully complying with current privacy regulations, information is collected, analysed, and processed from open data sensors, cameras, and other points located in a city. The data collected is stored in the cloud and processed to create statistical models and forecasts, comparing data from previous days and months, transforming a large volume of disparate data into useful information.

City Analytics - Mobility Map is a new City Analytics functionality that aims to facilitate the management of containment measures for the COVID-19 epidemic. It has been offered free of charge by ENDESA X on its website to facilitate the analysis of mobility between provinces and Autonomous Regions in Spain.



HERE tech and Lotadata provide the raw data from connected cars and mobile apps, respectively. These data are processed with artificial intelligence tools and algorithms patented by ENEL X. The result is an interactive map that allows easy visualisation of the variation in the number of trips, average distance travelled and flows in and out of a reference area, in comparison with a reference period prior to the emergency. The data are available at the regional, provincial and municipal levels and are updated every day at noon.

Launch of new challenges

As part of the Open Innovation tools, one of the most significant challenges launched in 2020 in relation to cities was:

Open Data in solutions for smart cities



New Smart City solutions enabled by Open Data

Many of the real problems of cities could be addressed with solutions based on the use and analysis of Open Data. The main focus is to extract the pragmatic value of open data analysis of which could serve to improve the operation and maintenance of infrastructures and services or to increase the resilience of the city and the quality of its citizens' lives.

This challenge seeks solutions that can diversify and expand ENDESA X's services for cities (video analysis, artistic lighting, adaptive lighting, City Analytics, etc.).

ReShape Challenge: "New technologies for remote assistance to industrial and residential customers"

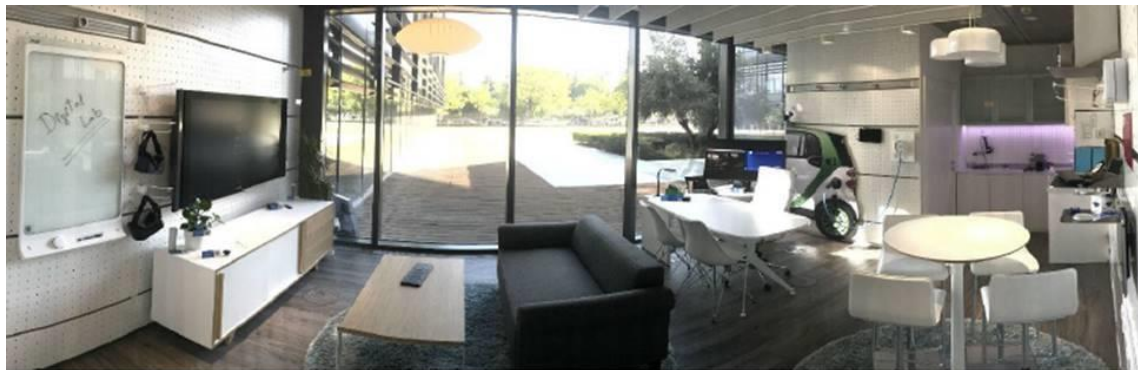


ReShape: a global call for the energy transition

In order to safeguard the health of ENDESA X customers during the COVID-19 pandemic, it is particularly important to reduce the number of home visits made by technicians, while continuing to serve them more efficiently and safely.

In this challenge, low-cost solutions are sought to offer remote assistance to industrial and residential customers and that can run on the most common personal devices.

The Digital Lab in Madrid, key to testing technology and the customer experience



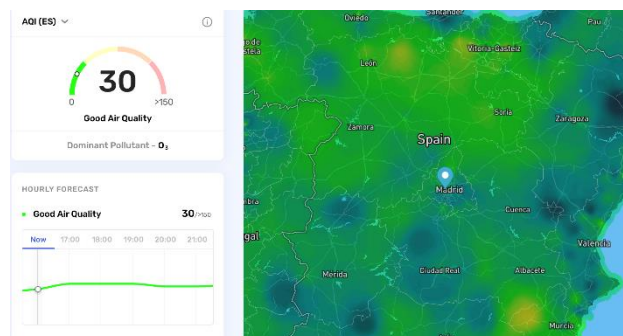
The Madrid Digital Laboratory is a space for testing technological solutions and new innovative products for the e-Home, interacting with other devices on the market and with customers.

Throughout 2020, various tests were carried out at the Digital Lab in Madrid to analyse the operation of sensors for air quality monitoring, as well as to select the supplier that best suits each project.

Road condition monitoring with 5G technology in electric vehicles

This is a system to be installed in electric vehicles, consisting of various sensors. From the measurements taken by them, and after processing, information is obtained regarding the state of the roads and the driving style, as well as detecting technical problems of the vehicle.

Air quality monitoring



As part of the road condition monitoring project, in 2020 a new added functionality was developed: the monitoring of air quality along the route of the vehicle in which the system is embedded.

In both cases, the 5G network is used, which allows the information collected by the installed systems to be combined so that, after processing, the desired data can be displayed on a heat map.

CYBERSECURITY



| | Line of action | 2020 Objective | 2020 Profit/Loss | Key actions |
|---------------|---|----------------|------------------|---|
| Cybersecurity | Promotion of cybersecurity in web applications exposed to the internet (% of applications) | 100% | 100% | In 2020, news and newsletters on cybersecurity were distributed, especially during the emergency period for the management of the COVID-19 pandemic. Conducting cybersecurity courses among employees. |
| | Promotion of cybersecurity awareness among employees and family members (number of actions) | 15 | 16 | |

2. CYBERSECURITY

103-1 Customer privacy management approach/103-2 Customer privacy management approach/103-3 Customer privacy management approach/103-2 Cybersecurity management approach

Technological components are increasingly integrated into the digital life of the business world and, at the same time, cyber threats inherent to each of these environments are becoming more frequent and sophisticated. That means that cybersecurity has become a global issue, and one of the pillars on which the Group's digitalisation strategy has been built.

The ENEL Group has a holistic, systemic model for implementing and managing cybersecurity, which covers all ENEL Group companies, including ENDESA. This is driven by Senior Management and has participants from all corporate business areas, and those responsible for design, management and operation of computer systems. Likewise, ENDESA, as part of the ENEL Group has a Cybersecurity Unit that reports directly to the Chief Information Officer (CIO) through the CISO (Chief information Security Officer), to streamline the decision-making process at a global level, in a context where response time is pivotal. Senior management and global strategic management are committed to the cybersecurity governance model and establish the need to use first-class technologies, design ad hoc business processes, increase people's cyber awareness, and transpose regulatory cyber requirements.

A "risk-based" approach makes risk analysis an essential step in all strategic decisions. Since 2017, a new cyber risk management model is being applied to the entire ENEL Group and therefore also to ENDESA. This model is based on a methodology that is applied to all types of computer systems (IT / OT / IoT), which identifies, prioritises and quantifies cyber security risks associated with the use of these systems, whose ultimate objective is to identify and adopt the most appropriate security measures to minimise and mitigate them. Therefore, in line with this methodology, ENDESA identifies information systems that require risk analysis, based on which the appropriate mitigation actions are established based on the type and severity of the risk.

In addition, adopting a global "cybersecurity by design" approach allows cybersecurity activities to focus on cybersecurity activities from the early stages of computer systems design and implementation, to fortify their resilience to cyber attacks.

As part of the ENEL Group, ENDESA shares cyber security best practices and operational models and helps to define guidelines, standards and regulations with private organisations, institutions and academies.

Likewise, the ENEL Group has also created its own team of computer analysts, among the Cybersecurity Unit, (Cyber Emergency Readiness Team-CERT) and since 2018 it has had its Control Room for proactive management of cyber incidents and to activate the response to cyber emergencies, cooperating with national and international CERT communities for all group companies, including ENDESA.

The CERT is active in national communities through membership of nine national CERTs, including, since 2018, the Spanish "national CERT". There are also international collaborations with "Trusted Introducer", a network of 380 CERT in 60 countries, and since 2018 with "FIRST", the largest collaboration community in the sector, with more than 510 members from 90 countries.

When the CERT detects any type of risk or incident regarding information security, it analyses it and classifies it by severity. When the incident generates a crisis situation affecting business continuity, the profitability of the company or its reputation, ENDESA immediately takes the necessary action in accordance with existing crisis and emergency management security policies.

The CERT is focused on:

- Prevention, detection and response to cybersecurity incidents
- Surveillance of cyber security threats, by collecting and processing detailed information on cyber threats, events and incidents.
- The exchange of information and collaborations between all actors is essential in case of a cybersecurity incident, in a context of "safe" communication, considering the principle of "trust" vis-à-vis information to be exchanged, that is, in accordance with the principles of "need to share" and "need to know" of the different parties involved.

The main activities carried out in 2020 by cyber security areas include:

- **CERT:** During 2020, the CERT strengthened the ENEL Group's perimeter protection methods both through the improvement of technological solutions in the field (Machine Learning) and through the continuous delivery of training courses aimed at employees of industrial sites (cyber exercises) from all the ENEL Group countries, including ENDESA.
- **Awards and participations:** In 2020 the Cybersecurity Unit participated in the writing of three reports of the World Economic Forum (WEF) on the subject of cyber resilience:
 - "Cyber Resilience in the Electricity Ecosystem: Playbook for Boards and Cybersecurity Officers" (Cyber Resilience in the Electricity Ecosystem: Manual for Boards of Directors and Cybersecurity Managers);
 - "Cyber resilience in the electricity Industry: Analysis and recommendations on Regulatory Practices for the Public and Private Sectors" (Cyber resilience in the Electricity Industry: Analysis and recommendations on Regulatory Practices for the Public and Private Sectors"
 - "Cyber resilience in the Electricity Ecosystem: securing the value chain" Cyber resilience in the Electricity Ecosystem: Securing the value chain).
- **Cyber security education, training and awareness:** During 2020, the Cyber Security Unit began to prepare cybersecurity courses aimed at the entire ENEL Group population. In addition, during the emergency period for the management of the COVID-19 pandemic, news and bulletins were distributed through various communication channels (mainly the

Intranet) aimed at the entire ENEL Group. In addition, in 2020, 16 cybersecurity awareness actions were carried out at the global level.

In 2019 the ENEL Group purchased cyber security risk insurance to mitigate cyber risk, valid for the entire Group.

To continue advancing in cybersecurity management, ENDESA has set the following objectives in its ENDESA 2021-2023 Sustainability Plan:

- Achieve 45 actions (in total, cumulative over 3 years) to promote awareness about cybersecurity among employees and their families ("Disseminating the IT security culture and changing people's behaviour in order to reduce risks").
- Achieve 36 performances (in total, cumulative over 3 years) of cyber exercises aimed at employees of industrial sites of all the countries of the ENEL Group, including ENDESA ("Execution of cyberexercises involving industrial plants/sites").

HUMAN CAPITAL

COMMITMENT TO OUR EMPLOYEES



| | Line of action | 2020 Objective | 2020 Profit/Loss | Key actions |
|---------------|---|--|--|---|
| Human capital | Promotion of gender diversity in selection processes (% women) | 36% | 36% | ENDESA has defined a Gender Diversity Action Plan, aligned with the Diversity and Inclusion Policy, aimed at increasing the presence of women in the company, as well as their presence in positions of responsibility and guaranteeing equal pay. |
| | Increase the presence of women in positions of responsibility (% female managers) | Management 18.5% Intermediate 32.8% | Management 19.7% Intermediate 32.6% | |
| | Promotion of in-person training to employees (hours/employee) | 38.1 | 12.5 | ENDESA has started to implement a new learning model, working on the globalisation of processes; in the "user experience" of employees, the development of new tools, new ways of thinking, new processes, a new culture, a new climate of recognition and motivating leadership. |
| | Promotion of online training to employees (hours/employee) | 16 | 30.1 | |
| | Promotion of smartworking (number of employees) | 2,410 | 6,180 | |
| | Promotion of services that favour the work-life balance of employees (number of services) | 78 | 69 | In 2020 ENDESA continued to offer measures that allow the working day to be adapted to requirements, through time flexibility, temporary changes to hours, reductions in working hours, family care leave, paid leave, unpaid leave and absences and working from home. |

1. ENDESA WORKFORCE

102-7/102-8

ENDESA had 9,591 employees as at 31 December 2020, of which 9,577 were from Spain and 14 from Portugal.

| ENDESA workforce at 31 December | | | |
|---------------------------------|--------------|--------------|--------------|
| | 2018 | 2019 | 2020 |
| Spain | 9,723 | 9,916 | 9,577 |
| Portugal | 40 | 36 | 14 |
| Total | 9,763 | 9,952 | 9,591 |

| Workforce at 31 December by gender | | | | | | |
|------------------------------------|-------|-------|-------|-------|-------|-------|
| | Men | | | Women | | |
| | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 |
| Total | 7,484 | 7,573 | 7,235 | 2,279 | 2,379 | 2,356 |
| % | 76.7 | 76.1 | 75.4 | 23.3 | 23.9 | 24.6 |

| Average headcount by gender | | | | |
|-----------------------------|-------|-------|-------|-----------------------|
| | 2018 | 2019 | 2020 | % variation 2019/2020 |
| Spain and Portugal | 9,695 | 9,761 | 9,721 | 0.41% |
| Men | 7,445 | 7,472 | 7,388 | -1.12% |
| Women | 2,250 | 2,289 | 2,333 | 1.92% |

405-1

The segmentation of the workforce by age; shows that the highest number of employees, 54.9%, is in the range between 30 and 50 years. The average age of the workforce is 47.6 years.

| Workforce at 31 December by age | | | |
|---------------------------------|-------|-------|-------|
| | 2018 | 2019 | 2020 |
| <30 | 384 | 375 | 352 |
| 30-50 | 5,509 | 5,454 | 5,264 |
| >50 | 3,870 | 4,123 | 3,975 |

| Workforce at 31 December by age and professional category | | | |
|---|-----|-------|-------|
| | <30 | 30-50 | >50 |
| Executives | | 104 | 167 |
| Middle Management | 175 | 2,284 | 1,074 |
| Administration and management | 162 | 2,173 | 2,214 |
| Operators | 15 | 703 | 520 |

102-8/405-1

Distribution of the workforce at the end of the year by gender: the workforce was made up of 75.4% men and 24.6% women. Regarding the composition of the workforce by professional category, 47.4% corresponded to administration and management personnel, followed by the group of middle managers 36.8%, operators 12.9% and managers 2.8%.

| Distribution of the workforce in Spain and Portugal by gender and professional classification | | | | | | |
|---|-------|-------|-------|-------|-------|-------|
| | Men | | | Women | | |
| | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 |
| Executives | 234 | 221 | 217 | 50 | 53 | 54 |
| Middle Management | 2,165 | 2,319 | 2,380 | 1,043 | 1,123 | 1,152 |
| Administration and management | 2,768 | 3,633 | 3,441 | 1,119 | 1,154 | 1,109 |
| Operators | 2,317 | 1,400 | 1,197 | 67 | 49 | 41 |

| Distribution of the Workforce in Spain and Portugal at 31 December | | | | | |
|--|------------|-------------------|------------------------|-----------|-------|
| | Executives | Middle Management | Admin staff Management | Operators | Total |
| Workforce | 2.8% | 36.8% | 47.4% | 12.9% | 100% |
| Average workforce | 2.8% | 35.5% | 47.7% | 13.9% | 100% |

Breakdown of hires

102-8

In 2020 97.41% of employment contracts were indefinite, the total number of contracts being 9,342. Temporary contracts accounted for 2.59%.

Type of working day: the vast majority of the workforce had a full working day. The number of employees with a full-time contract was 9,584, while 7 had part-time contracts.

| Distribution of employees by type of contract and working day in Spain and Portugal at 31 December 2020 | | |
|---|--------|--------|
| | Men | Women |
| Permanent contract | 75.51% | 24.49% |
| Temporary contract | 72.68% | 27.32% |
| Part time | 48.95% | 51.05% |
| Full time | 75.45% | 24.55% |

| Number of employees by type of contract at the end of the year | | | | | | | | | |
|--|--------------|--------------|--------------|-----------|----------|----------|--------------|--------------|--------------|
| | Full time | | | Part time | | | Total | | |
| | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 |
| Permanent | 9,425 | 9,561 | 9,335 | 1 | 1 | 7 | 9,426 | 9,562 | 9,342 |
| Temporary | 337 | 390 | 249 | 0 | 0 | 0 | 337 | 390 | 249 |
| Total | 9,762 | 9,951 | 9,584 | 1 | 1 | 7 | 9,763 | 9,952 | 9,591 |

| Contracts by sex - Average workforce | | | | | | | | | | | | |
|--------------------------------------|--------------------|--------------|-----------|----------|--------------|--------------|--------------------|------------|-----------|----------|------------|------------|
| | Permanent contract | | | | | | Temporary contract | | | | | |
| | Full time | | Part time | | Total | | Full time | | Part time | | Total | |
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Women | 2,202 | 2,250 | 0 | 2 | 2,202 | 2,252 | 87 | 79 | 0 | 1 | 87 | 80 |
| Men | 7,194 | 7,138 | 1 | 4 | 7,195 | 7,142 | 277 | 247 | 0 | 0 | 277 | 247 |
| Total | 9,396 | 9,388 | 1 | 6 | 9,397 | 9,394 | 364 | 326 | 0 | 1 | 364 | 327 |

| Contracts by age - Average workforce | | | | | | | | | | | | |
|--------------------------------------|--------------------|--------------|-----------|----------|--------------|--------------|--------------------|------------|-----------|----------|------------|------------|
| | Permanent contract | | | | | | Temporary contract | | | | | |
| | Full time | | Part time | | Total | | Full time | | Part time | | Total | |
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| <30 | 328 | 270 | 0 | 0 | 328 | 270 | 120 | 94 | 0 | 0 | 120 | 94 |
| 30-50 | 5,423 | 5,048 | 0 | 6 | 5,422 | 5,054 | 232 | 216 | 0 | 1 | 232 | 217 |
| >50 | 3,645 | 4,070 | 1 | 0 | 3,646 | 4,070 | 12 | 16 | 0 | 0 | 12 | 16 |
| Total | 9,396 | 9,388 | 1 | 6 | 9,397 | 9,394 | 364 | 326 | 0 | 1 | 364 | 327 |

| Contracts by professional category - Average Staff | | | | | | | | | | | | |
|--|--------------------|--------------|-----------|----------|--------------|--------------|--------------------|------------|-----------|----------|------------|------------|
| | Permanent contract | | | | | | Temporary contract | | | | | |
| | Full time | | Part time | | Total | | Full time | | Part time | | Total | |
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Executives | 286 | 275 | 0 | 0 | 286 | 275 | 0 | 0 | 0 | 0 | 0 | 0 |
| Middle Management | 3,202 | 3,375 | 0 | 1 | 3,202 | 3,376 | 86 | 79 | 0 | 0 | 86 | 79 |
| Admin Management | 3,767 | 4,469 | 0 | 4 | 3,767 | 4,473 | 158 | 162 | 0 | 1 | 158 | 163 |
| Operators | 2,141 | 1,269 | 1 | 1 | 2,142 | 1,270 | 120 | 85 | 0 | 0 | 120 | 85 |
| Total | 9,396 | 9,388 | 1 | 6 | 9,397 | 9,394 | 364 | 326 | 0 | 1 | 364 | 327 |

The stability of the company's workforce is reflected by the fact that the total number of temporary employees represents just 3.4% of the average workforce. Furthermore, the difference between the average number of contracts over the year and the year-end figures, at 1.3%, is not significant.

EU15

| Employees in Spain with the possibility of access to retirement in the coming years by professional category (%) | | |
|--|-------------------------|--------------------------|
| | Retirement next 5 years | Retirement next 10 years |
| Executives | 2.8 | 3 |
| Middle Management | 21.9 | 23.9 |
| Admin staff | 60.4 | 59.7 |
| Operators | 14.9 | 13.4 |
| Total | 100 | 100 |

401-1

During 2020, 253 people joined, 249 of them new hires in Spain and Portugal and the other four due to reinstatement after leave of absence and other reasons.

The new hires constitute an indicator that shows ENDESA as a generator of employment. These figures are important because they represent a thermometer of the renewal of the Company and its adaptation to new trends.

| New hires | | | |
|------------------------|------------|------------|------------|
| | 2018 | 2019 | 2020 |
| Total new hires | 393 | 426 | 253 |

| New hires | | | |
|-------------------------|------------|-----------|------------|
| | Men | Women | Total |
| <30 years | 69 | 39 | 108 |
| Between 30 and 50 years | 104 | 35 | 139 |
| >50 years | 6 | 0 | 6 |
| Total | 179 | 74 | 253 |

During this year 596 contract terminations have been registered for the following reasons:

| Contracts coming to an end | | | |
|--|------------|------------|------------|
| | 2018 | 2019 | 2020 |
| Voluntary departures | 55 | 73 | 34 |
| Voluntary redundancy with incentive ¹ | 194 | 11 | 291 |
| Retirements | 6 | 23 | 83 |
| Layoffs | 7 | 21 | 10 |
| Others ² | 186 | 123 | 178 |
| Total | 448 | 251 | 596 |

¹ Voluntary redundancy with incentive: includes early retirement

² Others: the vast majority are due to contracts coming to an end.

Contract terminations for the last three years, by gender, are:

| Contract terminations by gender | | | | |
|--|-------|------|------|------|
| | | 2018 | 2019 | 2020 |
| Total departures by men (voluntary departures, voluntary redundancy with incentive and retirement) | Men | 321 | 183 | 498 |
| | Women | 126 | 68 | 98 |
| Total departures as % of total workforce | Men | 4.29 | 2.42 | 6.88 |
| | Women | 5.5 | 2.84 | 4.16 |

401-1

ENDESA wants to be an excellent company to work for, therefore, attention is paid to low staff turnover, as an indication of the satisfaction of the people who work for the Company. The turnover rate in Spain in 2020 was 6.22%, a figure within the values expected by the Company.

| Turnover rate for each gender and age segment | | | |
|---|--------------|--------------|--------------|
| | Women | Men | Men |
| <30 | 14.69% | 13.95% | 14.21% |
| 30-50 | 6.47% | 12.51% | 11.40% |
| >50 | 2.18% | 1.60% | 1.76% |
| Total | 4.16% | 6.88% | 6.22% |

The average time spent at the company is 19.11 years, highlighting that more than 77.46% of employees have been working for the Company for more than 10 years.

| Average length of service in the company | Number |
|--|--------|
| Employees with less than 10 years in the Company | 2,162 |
| Employees with 10-19 years in the Company | 3,358 |
| Employees with 20-29 years in the Company | 1,915 |
| Employees with 30-34 years in the Company | 1,208 |
| Employees with more than 35 years in the Company | 948 |

Layoffs

In 2020 there were 10 layoffs in ENDESA, 1 woman and 9 men, which represents 0.10% of the total workforce at the end of the year.

| Layoffs in 2020 | | | | | | | | | |
|-----------------|--------|-----|-----|-------|-----|-----------------------|-------------------|----------------------|-----------|
| | Gender | | Age | | | Professional category | | | |
| | Women | Men | <30 | 30-50 | >50 | Executives | Middle Management | Admin and Management | Operators |
| 2019 | 3 | 18 | 2 | 10 | 9 | 4 | 3 | 7 | 7 |
| 2020 | 1 | 9 | 1 | 2 | 7 | 1 | 2 | 4 | 3 |

2. LEADERSHIP AND TALENT MANAGEMENT

The circumstances that occurred during 2020 challenged the leadership style of the organisation. Similarly, ENDESA's digitisation process and the adoption of new forms of work linked to agility, as well as data-based decision-making, took on special relevance in 2020. From the first appearance of the health crisis, as a precautionary measure, People and Organisation opted for the remote work of as many people as possible. For this reason, from March on a series of initiatives were launched to support the leaders of the organisation in the remote management of people, through the planning of weekly objectives, the encouragement of communication, use of collaborative tools and the search for spaces and new channels to inquire about people's well-being.

In these times more than ever, at all levels it was necessary to demonstrate the commitment to the business project and to continue advancing in achieving the objectives and overcoming the challenges that the environment and the sector demand of us. In this sense, there are projects such as the **"Cambiamos"** project that aims to engage employees emotionally with the company's purpose and with its firm commitment to sustainability and people.

The response at all levels has validated the company's commitment to the adoption of digital and collaborative tools, as well as the importance of trust in people and their empowerment.

2.1. Leadership model

404-3

ENDESA's leadership model is based on the Company's vision, mission, values and codes of conduct. The Open Power values (responsibility, trust, proactivity and innovation) are present in all people management systems, allowing our leaders and all the people in the organisation to have a clear guide on a management style and behaviours based on belief in people and their potential. All this made it possible to give a quick and concise response to the health emergency caused by COVID-19.

| Behavioural evaluation system | | |
|-------------------------------|-------|-------|
| | 2019 | 2020 |
| Open Feedback Evaluation (OF) | 8,443 | 8,301 |

| Variable remuneration objective evaluation systems | | |
|--|-------|-------|
| | 2019 | 2020 |
| Management by Objectives for Managers (MBO) | 262 | 201 |
| Annual Bonus (AB) | 2,587 | 2,725 |
| Sales Force Objective (SFO) | 242 | 409 |
| Other Variable Remuneration systems | - | 170 |

In 2020 ENDESA kept the Open Feedback process open to the entire organisation in order to enhance the culture of exchange of feedback at all levels, which is an ongoing process throughout the year.

For the 2020 Evaluation process, the group of eligible persons is currently set at 8,301, which represents 86.55% of ENDESA's employees. 100% of those eligible must be evaluated by their managers (except for system errors or absences).

Added to this process are the Management by Objectives (MBO) and Annual Bonus (AB) evaluation systems, which apply respectively to managers and employees with variable remuneration and the Sales Force Objectives system, which affects all sales personnel with variable remuneration excluded from MBO and AB and other performance-based remuneration systems.

36.5% of employees participated in the evaluation of objectives with variable remuneration in 2020.

404-3

| Evaluations by professional category and gender | | | | | | | | | | | | |
|---|--------------------------|------------|---------------------------------------|------------|--------------------------|------------|--------------------------|--------------|--------------------------|--------------|--------------------------|--------------|
| | 2018 | | | | 2019 | | | | 2020 | | | |
| | Evaluation of Objectives | | Evaluation of Behaviours ¹ | | Evaluation of Objectives | | Evaluation of Behaviours | | Evaluation of Objectives | | Evaluation of Behaviours | |
| | Men | Women | Men | Women | Men | Women | Men | Women | Men | Women | Men | Women |
| Executives | 232 | 50 | N/A | N/A | 217 | 52 | 190 | 44 | 214 | 53 | 174 | 47 |
| Middle Management | 1,777 | 839 | N/A | N/A | 1,857 | 876 | 3,213 | 998 | 2,019 | 939 | 2,135 | 1,067 |
| Administration and management staff | 177 | 67 | N/A | N/A | 174 | 65 | 1,977 | 986 | 191 | 89 | 3,068 | 980 |
| Operators | 1 | 2 | N/A | N/A | 0 | 1 | 1,008 | 27 | 0 | 0 | 809 | 21 |
| Total | 2,187 | 958 | N/A | N/A | 2,248 | 994 | 6,388 | 2,055 | 2,424 | 1,081 | 6,186 | 2,115 |

¹ No breakdown is available for participants in the Behaviour Assessment for 2018

| Percentage of evaluations by professional category and gender | | | | | | | | | | | | |
|---|--------------------------|-------------|---------------------------------------|------------|--------------------------|-------------|--------------------------|-------------|--------------------------|-------------|--------------------------|-------------|
| | 2018 | | | | 2019 | | | | 2020 | | | |
| | Evaluation of Objectives | | Evaluation of Behaviours ¹ | | Evaluation of Objectives | | Evaluation of Behaviours | | Evaluation of Objectives | | Evaluation of Behaviours | |
| | Men | Women | Men | Women | Men | Women | Men | Women | Men | Women | Men | Women |
| Executives | 11% | 5% | N/A | N/A | 10% | 5% | 3% | 2% | 9% | 5% | 3% | 2% |
| Middle Management | 81% | 88% | N/A | N/A | 83% | 88% | 50% | 49% | 83% | 87% | 35% | 50% |
| Administration and management staff | 8% | 7% | N/A | N/A | 8% | 7% | 31% | 48% | 8% | 8% | 50% | 46% |
| Operators | 0% | 0% | N/A | N/A | 0% | 0% | 16% | 1% | 0% | 0% | 13% | 1% |
| Total | 100% | 100% | N/A | N/A | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

¹ No breakdown is available for participants in the Behaviour Assessment for 2018

2.2. Talent development

404-2

ENDESA is committed to talent development and personal and professional growth as part of its business strategy focused on the sustainability of human capital.

Some of these actions are detailed below:

- **Onboarding:** this process aims to facilitate the incorporation of new employees into the organisation and transmit ENDESA's values and culture to them. The process is automated and digitised, with the incorporation of electronic signatures, the synchronisation of information between systems, management through mobile devices and the coordination of actions so that new employees are integrated into the organisation and carry out the training required by their job.
- **Coaching:** ENDESA continues to be fully committed to coaching by means of individual or group actions, carried out mainly through the in-house coaching network in which over 35 in-house coaches assist the company's professionals. This coaching team is one area where ENDESA is seen as a benchmark by other Ibx 35 companies.

During this complicated year of pandemic, the Internal Coaching Network launched an action with sessions of emotional support for all company employees requesting it through a specific mailbox or their People Business Partner.

In 2020 ENDESA was once again recognised as one of the most influential organisations linked to coaching, awarded on this occasion with the first prize of Expocoaching 2020 for its work promoting the personal and professional development of people in the Company through coaching.

- **Skills Workshops:** ENDESA held the "Coach Manager" and "Coach Manager +" courses, aimed at people managers for the development of skills, competencies and tools associated with coaching. In its commitment to the culture of feedback, coaching tools are an element that positively contributes to team management in highly efficient environments.
- **Mentoring:** Continuing with the line of action started in previous years, ENDESA maintains this knowledge transfer project in which leading professionals in a specific competence or area of knowledge supervise and mentor other colleagues for a period of 3 to 6 months.
- **People and Organisation Consulting:** One of the great achievements in the area of talent development is being able to put in place tailored solutions for businesses that need

it. During 2020 ENDESA further reinforced a line of internal consultancy that provides *ad hoc* solutions to needs expressed by the businesses.

One of the most notable milestones is the project to provide emotional support to the Generation Business in the context of uncertainty regarding the changes entailed by the decarbonisation of the sector and the shift in production processes to renewables. This project contributed positively to the process of relocation of people, predisposing them emotionally to the "reskilling" processes that have been deployed.

- **Succession Plans:** in 2020 ENDESA continued with the identification of successors for the positions of greatest managerial responsibility.

Succession plans identify both people who are ready for succession in the short term, and people who will be prepared in the medium-long term. Identification is governed by shared suggested criteria, giving importance and opportunity to women and young people. These criteria contribute to the achievement of the Gender Diversity objectives, to which ENDESA is fully committed.

As part of the Succession Plans process, development actions have been identified for the designated successors; They are specific actions based on their needs that are integrated into the annual development plans of all of ENDESA's people.

| Development actions | Participants |
|---|--------------|
| Mentoring | 88 |
| Coaching | 137 |
| Manager Coach and Manager Coach + workshops | 219 |

2.3. Attracting and retaining talent

During 2020 ENDESA participated in various job fairs to offer vacancies to recent graduates and especially to those with STEM profiles.

Likewise, the style of publication of job vacancies has been modified in order to use a vocabulary and writing style that is more inclusive and closer to candidates.

In addition, a project called Internship Journey has been launched to try to increase the number of recruitments to the workforce of students who complete their scholarship at ENDESA.

Also, in order to optimise the process as much as possible, the "Agile" model is followed to fill the most critical and urgent vacancies such as those for people with renewable energy or digital solutions profiles. The goal is to optimise the process as much as possible.

2.3.1. International mobility

In 2020, ENDESA continued to roll out international mobility programmes for employees in order to contribute to their development in international arenas, widen their global business vision and boost their technical knowledge.

In 2020, ENDESA managed 52 processes for expatriate employees and 16 for returnees. These are efficiently managed international mobility programmes promoting global careers and fostering a multinational culture. In these processes, special attention is paid to the following aspects:

- Ensuring that expatriate staff maintain living conditions similar to those of the country of origin.
- Compensating for difficulties related to expatriation.
- Offering a significant package of employee benefits.

In the framework of compliance with the Diversity Policy, special attention is paid to the integration of the expatriate in the destination, by assigning a tutor/mentor during the expatriation period.

2.3.2. Personnel selection

202-2/103-1 Management Approach Market Presence/103-2 Management Approach Market Presence/103-3 Management Approach Market Presence

The objective of the selection process is to fill each vacancy with the most suitable candidate for the required profile. The profile not only takes into account the technical part of the position, but also the competency aligned with corporate values.

At ENDESA, the participation of employees in the selection processes is promoted, in order to favour internal mobility and provide development and learning opportunities for employees.

In cases where it is not possible to promote employees from within the company, the company seeks to hire people who have been directly linked to its activities through internships, scholarships or specific temporary contracts.

If this option is exhausted, vacancies are offered on the ENDESA website and job portals.

In 2020, due to the situation of the pandemic, candidates' capacity for autonomy and discipline was also analysed. New hires had to be able to start working from home from day one if necessary.

ENDESA has globally applicable guidelines and the ENDESA Collective Agreement sets out the particularities of the process of filling vacancies applicable in Iberia.

| Employees incorporated | | | |
|---|------|------|------|
| | 2018 | 2019 | 2020 |
| Total local employees incorporated into the workforce throughout the year | 361 | 375 | 223 |
| Total of local Senior Managers (executives + middle managers) incorporated into the workforce throughout the year | 189 | 174 | 132 |

Most of the top management (members of the Executive Management Committee) come from the local community:

| | |
|--|----|
| Number of senior managers from the local community | 13 |
| Total number of senior managers | 16 |

2.3.3 Rejection of forced and child labour

103-1 Child Labour Management Approach/103-2 Child Labour Management Approach/103-3 Child Labour Management Approach/103-1 Forced Labour Management Approach/103-2 Forced Labour Management Approach/103-3 Forced Labour Management Approach/408-1/409-1/

ENDESA expressly condemns child labour as well as forced labour through its Code of Ethics, committing itself to rigorous compliance with international standards, such as the United Nations Global Compact, with the aim of promoting a work environment that respects Human Rights. The condemnation of child labour and forced labour have also been expressly reflected in the ENDESA Human Rights Policy approved by its Board of Directors on 24 June 2013. It should also be noted that ENDESA operates in an environment (Spain and Portugal) where there is a regulatory framework that establishes the necessary guarantees to ensure that there are no violations of child or forced labour. ENDESA has the most advanced prevention, control and monitoring mechanisms in place to guarantee strict compliance with current legislation, international standards and ILO principles in this area. As a result, there have been no complaints in this matter during 2020.

This approach is also extended to all contractor companies and suppliers with which it maintains a relationship. To this end, it incorporates human rights clauses in the general contracting conditions, evaluates human rights aspects in the supplier qualification system and carries out social audits to verify compliance.

For more information, see section 3.2 Respect for Human Rights in the Supply Chain chapter.

2.3.4. Remuneration policy

102-36/103-1 Management Approach Market Presence/103-2 Management Approach Market Presence/103-3 Management Approach Market Presence

ENDESA's remuneration policy is aligned with Spanish and international regulatory recommendations in the area of corporate governance. The company's main objective is to draw, retain and motivate the best professionals, ensuring that internal equality and external competition are maintained, and establishing remuneration according to best market practices.

ENDESA's remuneration policy therefore seeks to ensure competitive and equal compensation among its employees. Remuneration is determined according to an external competition analysis based on market wage surveys, using a valuation methodology that assesses similar posts in companies with a similar number of employees and turnover.

ENDESA's remuneration policy is also merit-based. In 2020, as in previous years, the individual salary review process was carried out for all employees in all professional categories. The main purpose of these processes is to recognise people's effort, responsibility and commitment to the Company, adjusting remuneration on a case by case basis, while ensuring that the minimums established in the collective labour agreement are observed. This policy also strengthens the manager's role in recognising employees' achievements.

In 2020, an exercise in transparency in communication to the personnel of the salary review process was carried out, with emphasis on the gender perspective.

Digital tools ensure that decisions on salary review for employees are made taking due account of their impact on the gender gap, trying to minimise the unconscious biases that could influence them.

401-2

| Employee benefits not required by law, Spain and Portugal (expressed in thousands of euros) | | | |
|--|--------|--------|--------|
| | 2018 | 2019 | 2020 |
| Medical assistance | 3,176 | 3,611 | 1,724 |
| Cultural and recreational activities | 983 | 1,042 | 1,031 |
| Financing of electricity consumption | 15,230 | 15,828 | 10,309 |
| Accident insurance outside the professional sphere | 625 | 853 | 1,206 |
| Pension funds | 50,621 | 43,243 | 55,498 |
| Others (e.g. seniority bonus, special allowances for marriage, home purchase, etc.) | 15,405 | 15,122 | 15,895 |
| Employees involved in the employee benefits policy (expressed in number of employees) | 9,763 | 9,952 | 9,591 |

102-36/103-1 Management Approach Market Presence/103-2 Management Approach Market Presence/103-3 Management Approach Market Presence

Flexible Remuneration

In 2020, the number of ENDESA employees adhering to its Flexible Remuneration plan has continued to increase, reaching a membership rate of 50.3% (4,820 employees). It is a remuneration system through which each employee voluntarily decides how to receive part of

their monetary remuneration to suit their personal and family needs at all times. By contracting certain products and services through the Company, employees can increase their net availability due to the tax advantages granted by the Personal Income Tax Law to certain products and services. ENDESA's plan includes the products Health Insurance, Childcare Ticket, Food Card, Transportation and Training Card.

Working overtime hours

On the other hand, through the different Collective Agreements, the Management of the Company and the Labour Representatives agree on the need to minimise overtime, through the establishment of work organisation tools and systems that enable a permanent improvement of the Organisation's efficiency, respecting in any case, the legislation in force and especially, the provisions of Royal Decree 1561/1995, of 21 September 1995. Thus, the Collective Agreement establishes that, in the event of the need for overtime, employees may choose between economic compensation mechanisms or mixed compensation mechanisms (economic and rest hours).

Remuneration of Managers and Employees.

Next, the average salaries and their evolution are broken down by gender, age and professional classification. Fixed, variable wages and social benefits have been considered.

| Average remuneration ¹ by age (€) fixed + variable salary + social benefits | | | |
|--|-----------|-----------|-----------|
| Spain and Portugal | | | |
| | 2018 | 2019 | 2020 |
| <30 | 34,671.10 | 34,785.01 | 41,380.66 |
| 30-50 | 59,452.55 | 57,070.49 | 62,600.03 |
| >50 | 75,764.04 | 74,767.60 | 81,065.62 |

¹The calculations of average remuneration do not include data for the following companies: Endesa X Sucursal en Portugal and Saltos del Navia.

| Average remuneration ¹ by professional category and gender (€) fixed + variable salary + social benefits | | | | | | | | | | | | | | | |
|---|------------|---------|---------|-------------------|--------|--------|---------------------------------|--------|--------|-----------|--------|--------|--------|--------|--------|
| Spain and Portugal | | | | | | | | | | | | | | | |
| | Executives | | | Middle Management | | | Administrative and office staff | | | Operators | | | Medium | | |
| | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 |
| Men | 193,017 | 200,544 | 204,209 | 77,805 | 76,721 | 79,674 | 61,970 | 57,857 | 61,308 | 57,695 | 54,407 | 58,765 | 69,300 | 67,240 | 70,888 |
| Women | 156,028 | 171,476 | 174,203 | 67,474 | 67,913 | 71,268 | 50,958 | 50,646 | 54,283 | 54,562 | 57,838 | 58,456 | 60,937 | 61,565 | 65,366 |
| Medium | 186,517 | 195,189 | 197,953 | 74,450 | 73,864 | 76,927 | 58,830 | 56,134 | 59,603 | 57,607 | 54,518 | 58,754 | 67,362 | 65,901 | 69,532 |

¹The calculations of average remuneration do not include data for the following companies: Endesa X Sucursal en Portugal and Saltos del Navia.

Wage gap

In 2020, a detailed study on the salaries of employees and the differences between men and women was carried out, and two types of indicators, the average and the median, were analysed to come to a deeper understanding of their causes.

On the one hand, the average salary between men and women of ENDESA was analysed, which showed an improvement over 2019 of 0.6 percentage points (from 8.4% to 7.8%).

On the other hand, the median was analysed as an indicator of the wage gap in ENDESA. This indicator avoids the effect of the most extreme values and throws specific information on the salary discrimination data since it is not affected by the number of people that make up each group. The values located in the middle zone show a 3% gap in 2020, thus confirming the absence of wage discrimination.

Comparative analyses were carried out of positions of the same value, and segregated by different activities. These analyses show that the few cases with large differences are explained by the number of years service with the company, inclusion in different collective agreements and

a lower presence of women in certain positions of high technical content. It can be concluded that, at ENDESA, wage discrimination is not responsible for the wage gap.

To understand the existence of this inequality in the composition of the ENDESA staff, several factors have to be taken into account: The industrial nature of the Company, the low turnover rate of the workforce and the historical gender composition of the Company, due to historical cultural and sociodemographic factors, which translates into a greater average seniority of men versus women. To this are added other variables, also historical, such as the conditions of agreements of origin.

405-2

| Average fixed salary + variable + social benefits (Spain and Portugal) | | | |
|--|--|--|--|
| | Salary gap ^{1,2} Women vs. Men 2018 | Salary gap ^{1,2} Women vs. Men 2019 | Salary gap ^{1,2} Women vs. Men 2020 |
| Executives | 19.2% | 14.5% | 14.7% |
| Middle Management | 13.3% | 11.5% | 10.6% |
| Administrative staff | 17.8% | 12.5% | 11.5% |
| Operators | 5.4% | -6.3% | 0.5% |
| Average ¹ | 12.1% | 8.4% | 7.8% |

¹The difference between the **average salary** of men and women, as a percentage of the **average salary** of men, considering fixed, variable salary and social benefits, in accordance with Law 11/2018, of 28 December, ENDESA, S.A.

²The calculations of the wage gap do not include data for the following companies: Endesa X Sucursal en Portugal and Saltos del Navia.

| Median fixed salary + variable + social benefits (Spain and Portugal) | | |
|---|--|--|
| | Salary gap ^{1,2} Women vs. Men 2019 | Salary gap ^{1,2} Women vs. Men 2020 |
| Executives | 4.9% | 6.3% |
| Middle Management | 11.7% | 10.7% |
| Administrative staff | 15.4% | 13.2% |
| Operators | 1.7% | 0.1% |
| Median ² | 2.5% | 3.0% |

The difference between the **median salary** of men and women, as a percentage of the **median salary** of men, considering fixed, variable salary and social benefits, in accordance with Law 11/2018 of 28 December ENDESA, S.A.

²The calculations of the wage gap do not include data for the following companies: Endesa X Sucursal en Portugal and Saltos del Navia.

| Median fixed + variable salary (Spain and Portugal) ¹ | | | |
|--|-----------|-----------|---------------------------------|
| | Men | Women | Median by professional category |
| Executives | € 166,433 | € 155,878 | € 164,755 |
| Middle Management | € 75,467 | € 67,383 | € 72,876 |
| Administrative staff | € 59,305 | € 51,459 | € 57,530 |
| Operators | € 55,062 | € 55,028 | € 55,048 |
| Total median | € 62,798 | € 60,911 | € 62,444 |

¹The calculations of the wage gap do not include data for the following companies: Endesa X Sucursal en Portugal and Saltos del Navia.

Relationship between initial remuneration and minimum remuneration

202-1

The ration of the initial salary at ENDESA to the legal minimum salary in Spain, which in 2020 stood at 1.86, is in accordance with the company's remuneration policy, which seeks to apply the best market practices, ensuring external competitiveness, in order to attract, retain, and motivate the best professionals.

| Relationship between initial remuneration and minimum remuneration | | | | |
|--|-----------|-----------|-----------|-----------|
| | 2019 | | 2020 | |
| | Women | Men | Women | Men |
| Initial remuneration | 23,680.92 | 23,680.92 | 24,762.50 | 24,762.50 |
| Minimum remuneration Spain | 12,600 | 12,600 | 13,300 | 13,300 |
| Relationship between initial remuneration and minimum remuneration | 1.88 | 1.88 | 1.86 | 1.86 |

2.3.5. Social welfare

201-3

All ENDESA employees are members of the Pension Plan, unless they expressly opt out. With the signing of the first Framework Agreement on 25 October 2000, a defined contribution pension scheme was established for retirement, and a defined benefit scheme for death and incapacity. In 2020 the total number of employees with an individual pension fund sponsored by the company was 9,791.

A scheme involving combined contributions by the company and the employee was established, with a maximum 6% of the pensionable pay being borne by the Company and 3% of the same pay by the employee. Additionally, there are workers affected by original agreements who have a defined contribution for the retirement but defined benefit for death and disability and with a benefit system and a contribution system different from the one described above, with details varying depending on the origin.

The company's contribution to the pension plan in 2020 for the entire Defined Contribution group was Euros 33.9 million and employees' contribution was Euros 12.4 million.

There are also two large groups of workers affected by original agreements with Defined Benefit Plans for retirement, death and disability:

- Workers of the Electrical Ordinance of the former ENDESA. Closed group, in which the predetermined nature of the retirement benefit and its full insurance eliminate any risk.

The company's contribution in 2020 amounted to Euros 5 million for a total of 1,282 people.

- Workers in the Fecsa/Enher/HidroEmpordá area. Closed group, in which the benefit is linked to the evolution of the Consumer Price Index (CPI) and is not insured except for the benefits incurred until 31 December 2011, at which time an insurance policy was signed, to implement said benefits, by means of which any future obligation with respect to said group is eliminated. For this group, there is a provision in the internal fund that amounts to Euros 192.5 million, the calculation of which is carried out in accordance with the International Accounting Standards, which together with the plan assets currently cover 100% of the present obligation.

The company's contribution in 2020 amounted to Euros 3.6 million for a total of 818 people. Additionally, in 2020 a total of Euros 7 million was paid for the plan deficit.

ENDESA's pension plans are administered in accordance with the general restrictions on management and risk assumption in the respective laws and regulations in force and applicable in Spain.

At present, the pension fund which manages the pension schemes promoted by ENDESA companies assumes the risks that are inherent in the assets in which it is invested. These risks are mainly: interest rate risk, credit quality, leverage through derivatives, exchange rate risk, liquidity risk and valuation risks.

ENDESA's pension plan is operated by a manager that takes into account socially responsible investment criteria. For this, the manager has prepared and approved a Declaration of Socially Responsible Investment Policy that summarises the framework in which the activity of the company in this matter is developed with the assets under management. The plan manager incorporates environmental, social and good governance (ESG) issues in the investment analysis and decision-making processes. It expects the companies and issuers in which it will invest to develop and carry out an ESG strategy that maximises long-term value for its shareholders and investors. It will positively value the adherence of companies to the United Nations Global Compact.

In turn, the pension fund is developing its own sustainability policy, its conceptual framework being three main pillars: The SDGs, the commitment, through a policy of specific involvement and voting and finally the exclusions.

3. TRAINING

In its commitment to people, ENDESA focuses on their training and offers an extensive catalogue of learning actions to provide and improve the technical qualifications they need in the performance of their duties and grow in their personal development.

In its learning strategy, ENDESA is aware of the need to offer an upgrade in its course catalogue and offers content that points to the skills most demanded in a context of uncertainty and complexity, both for the "soft" part (leadership by values, mindfulness, positive energy, storytelling, etc.) and the "hard" part (big data, phyton, deep learning, etc.). In this way, it contributes to the development of professionals, to encourage their curiosity for the most avant-garde topics and to take care of and reinforce the integral well-being of people.

The evolution from the concept of "training" to that of "learning" is consolidated, which places the person at the centre and makes them the promoter and protagonist of their professional updating. A new way of learning, which learning communities are joining on the global digital platform "eEducation", to share knowledge and develop the social aspect through the exchange of knowledge and information among all the people of the Enel Group, as well as the public evaluation of the contents.

2020 was marked by the health crisis caused by the COVID-19 pandemic, and remote work became a new work model. This had the consequence of accelerating the transformation of traditional face-to-face courses into virtual courses, with shorter formats and with adapted dynamics, and increasing the online learning content on the e-learning platform, "eEducation".

Likewise, webinars became the main way of accompanying people so that they can continue working together remotely and taking care of their well-being in three spheres: mind, emotion and body. This format allowed the entire workforce to be convened for short learning sessions, with a focus on both emotional and professional support content to improve the work situation during the pandemic. We would highlight the programme launched at the beginning of the health crisis "aperitifs: we are still together", which invited everyone to take a half-hour break several times a week, to receive advice on how to improve the well-being of people in conditions of confinement.

In the same way, the circumstances experienced in 2020 gave a very significant role to online, synchronous and asynchronous training, and placed the learning platform "eEducation" in the axis that articulates all the training of its people and that allowed a notable increase in the number of courses on various topics, and where collaborative spaces are created so that the way in which ENDESA learns evolves.

In 2020 ENDESA started to implement a new learning model, working on the globalisation of processes; on the "user experience" of employees (including the social part of evaluating courses

and learning communities); and on the development of new tools, new ways of thinking, new processes, a new culture, a new climate of recognition and motivating leadership.

3.1. Main figures and relevant aspects

404-1

| Training in ENDESA in 2020 | |
|---|---------|
| Employees trained | 9,444 |
| Percentage of staff trained | 98.47% |
| Number of training events | 4,418 |
| Total hours of training | 348,700 |
| Direct and indirect investment (expressed in millions of euros) | 30.8 |
| Direct costs (expressed in millions of euros) | 12.37 |

To undertake this activity, ENDESA invested Euros 30.8 million, of which Euros 12.3 million were for direct costs of training activities.

404-1

In 2020, ENDESA held 4,418 training sessions with 9,444 employees. This activity allowed 348,700 hours of training to be given, reaching an average of 36.36 hours per employee.

Having a workforce that is trained and capable of adapting to the new requirements demanded by the operational, technological and cultural transformation in which the company is immersed forms part of ENDESA's strategy for maintaining its leadership and growing its human capital. The information on the average hours of training per employee is information that confirms this strategy.

| Total hours of training | 2018 | 2019 | 2020 |
|-------------------------|---------|---------|---------|
| | 370,416 | 402,953 | 348,700 |

| Number of hours of training by type of training in Spain and Portugal | | | |
|---|---------|---------|---------|
| | 2018 | 2019 | 2020 |
| Online management training | 11,855 | 18,604 | 94,074 |
| In-person management training | 180,011 | 169,952 | 54,617 |
| Technical/specific online training | 52,988 | 81,945 | 142,631 |
| Technical/specific in-person training | 132,453 | 132,452 | 57,378 |

| Training Courses by Teaching Source (number) | | | |
|--|-------|------|-------|
| | 2018 | 2019 | 2020 |
| In-house training | 1,041 | 945 | 3,046 |
| External training | 138 | 212 | 1,372 |

| Average and Training Hours broken down by gender and professional category | | | | | | | | | | | | |
|--|-------------------------------------|-------------|-------------|----------------|----------------|----------------|-------------------|-----------|--------------|----------------|----------------|----------------|
| | Executives | | | | | | Middle Management | | | | | |
| | Medium | | | Total hours | | | Medium | | | Total hours | | |
| | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 |
| Men | 34.1 | 62.7 | 30.7 | 7,977 | 14,390 | 6,692 | 37.2 | 46 | 34.2 | 80,584 | 106,202 | 81,548 |
| Women | 39.2 | 52.4 | 41.4 | 1,947 | 2,764 | 2,223 | 38.4 | 43 | 34.9 | 40,024 | 48,284 | 40,183 |
| Total | 35.0 | 60.8 | 32.8 | 9,924 | 17,154 | 8,914 | 37.6 | 45 | 34.5 | 120,608 | 154,486 | 121,731 |
| | Administration and management staff | | | | | | Operators | | | | | |
| | Medium | | | Total hours | | | Medium | | | Total hours | | |
| | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 |
| Men | 37.9 | 37.3 | 34.9 | 104,953 | 135,376 | 120,155 | 43.3 | 45 | 55.81 | 100,361 | 62,891 | 66,907 |
| Women | 29.2 | 26.9 | 25.4 | 32,661 | 31,003 | 28,139 | 28.3 | 42 | 68.52 | 1,908 | 2,043 | 2,853 |
| Total | 35.4 | 34.8 | 32.6 | 137,614 | 166,379 | 148,294 | 42.9 | 45 | 56.24 | 102,269 | 64,934 | 69,760 |

Evidence of ENDESA's commitment to promoting training (both online and face-to-face), as a way to grow Human Capital is provided by the objectives included in the 2021-2023 Sustainability Plan:

Average hours of training per year per employee

| Training in ENDESA in 2020 | | | | |
|----------------------------|--------------|----------------|----------------|----------------|
| | Closing 2020 | 2020 Objective | 2021 Objective | 2023 Objective |
| In-person | 38.1 | 12.5 | 14 | 26 |
| On-line | 16 | 30.1 | 25 | 25 |
| Global | 54.1 | 52.36 | 39 | 51 |

3.2. Type and content of the training

404-1/404-2/103-1 Management Approach Education and Training/103-2 Management Approach Education and Training/103-3 Management Approach Education and Training/103-1 Management Approach Employment/ EUSS 103-1 Management Approach Employment/EUSS 103-3 Management Approach Employment EUSS/205-2

Commitment to sustainable development is an essential part of ENDESA's activity. Therefore, training in this area is important, with the design, development and implementation of courses aimed at making sure that ENDESA employees take on board the sustainability principles in their private and professional activities, and by changing their energy behaviour become examples for society to follow.

Here are some of the most significant training programmes carried out in 2020.

| Most outstanding programmes | |
|------------------------------|--|
| Occupational health & safety | <ul style="list-style-type: none"> • Risk Prevention Work Outside The Office • Leadership in prevention • ISO 45001 |
| Environment | <ul style="list-style-type: none"> • ISO 14001 • Environmental awareness |
| Sustainability | <ul style="list-style-type: none"> • Education4All "Sustainability Fridays" • Circular economy: inspire-action cycle |
| Digitalisation | <ul style="list-style-type: none"> • Digital Routines in 21 days (R21D) • We continue together |

| Most outstanding programmes | |
|-----------------------------|--|
| | <ul style="list-style-type: none"> • inData • During 2020, a total of 33,174 hours of training in digital skills were given |
| Technical | <ul style="list-style-type: none"> • Technical training programmes in the areas of Generation; Renewables; Infrastructure and Networks; Supply; Global Digital Solutions (GDS); Purchasing and Support Areas. |
| Human rights | <ul style="list-style-type: none"> • Online course Human Rights |
| Other training activities | <ul style="list-style-type: none"> • Diversity programmes: HER_Unconscious biases, Take the lead • Programmes on agile methodology: Let's talk about agile, Scrum master • New work methodologies: design thinking, visual thinking, creative problem solving. • Languages |

Sustainability training

In 2020, the Education4all training programme stands out, to understand why Sustainability has become a fundamental aspect of the business; and the incorporation of learning in the circular economy, an essential topic to confidently look to the future and face the transition towards increasingly sustainable and competitive models.

| Training by theme or type | | | | | | |
|-------------------------------|----------------|---------------------|----------------|---------------------|---------------|---------------------|
| | 2018 | | 2019 | | 2020 | |
| | Hours | Number of employees | Hours | Number of employees | Hours | Number of employees |
| Occupational health & safety | 101,351 | 6,306 | 107,740 | 6,521 | 59,186 | 5,755 |
| Environment | 7,707 | 2,188 | 2,074 | 557 | 2,463 | 835 |
| Ethical code | 727 | 1,140 | 140 | 110 | 1,530 | 1,787 |
| Anti-corruption | 616 | 1,467 | 2,179 | 3,506 | 1,134 | 2,035 |
| Diversity | 17 | 1 | 527 | 79 | 1,772 | 1,190 |
| Relationship with communities | 42 | 3 | 183 | 7 | 34 | 4 |
| Human rights | 335 | 1,014 | 422 | 1,280 | 196 | 594 |
| Total | 110,795 | 12,119 | 113,265 | 12,206 | 66,315 | 12,200 |

Security personnel training

410-1/103-1 Management Approach Security/103-2 Management Approach Security/103-3 Management Approach Security

Physical security services in facilities (surveillance) are provided by external personnel and their organisation adapts to the need to cover the services necessary to safeguard the company's assets at all times.

In any case, these services are provided by professionals duly accredited and authorised by the Ministry of the Interior. As part of their training, aspects of Private Security legislation, basic rights and Human Rights are included.

Training of employees in Human Rights policies or procedures

412-2

Respect for Human Rights is one of the principles on which the business and people management is based in all the countries and territories in which ENDESA is present. It also finds expression in the development and implementation of a policy dedicated to respect for Human Rights which strengthens and extends the commitment established in the Code of Ethics, the Zero Tolerance of Corruption Plan and the Compliance Programme 231.

With the aim of spreading this commitment, knowledge about human rights and about the actions that ENDESA carries out to respect these rights, the Human Rights online course is available to all staff.

Through this course, ENDESA renews its own commitment, directly involving all people in the company, sharing stories and practices that help us understand the crucial role that human rights play in today's business world.

With this training, ENDESA promotes knowledge, not only of its human rights policy and related implementation practices, but also of the due diligence process to identify, prevent, mitigate and report on the potential risks and consequences derived from the daily action of the employees.

| Human Rights Training | | | |
|--|-------|-------|--------|
| | 2018 | 2019 | 2020 |
| Employee training hours on policies and procedures relating to human rights relevant to their activities | 335 | 423 | 196.02 |
| Number of employees who received human rights training | 1,014 | 1,280 | 594 |
| Total number of employees | 9,763 | 9,952 | 9,591 |
| Percentage of employees who received human rights training (%) | 10.39 | 13 | 6.19 |

4. SOCIAL DIALOGUE

102-41/407-1/103-1 Management Approach Freedom of Association and Collective Bargaining/103-2 Management Approach Freedom of Association and Collective Bargaining/103-3 Management Approach Freedom of Association and Collective Bargaining/103-1 Management Approach Relations between Workers and Management/103-2 Management Approach Relations between Workers and Management/103-3 Management Approach Relations between Workers and Management

Within the framework of ENDESA's labour regulations and the provisions of Title III of the Workers' Statute, and in order to implement labour relations based on dialogue and agreement with the Trade Union Sections signatory to ENDESA's Collective Agreements as interlocutors necessary to facilitate the resolution of any conflicts that may arise in the socio-labour dynamics of ENDESA.

The consultation and participation of workers in occupational health and safety issues has been instrumentalised by virtue of the provisions of Articles 115 et seq of the 5th ENDESA Collective Agreement.

With respect to collective bargaining procedures in 2020 they were performed in strict accordance with the Spanish and ENDESA regulations regarding reorganisations, transfers of workers between Group companies, etc., as well as with the signing of the 5th ENDESA Collective Agreement. In Portugal, working conditions are set through the employment contract.

The collective working conditions are regulated in ENDESA through the various Collective Agreements, the terms of which are more favourable than those required by labour legislation in each area in which the Company operates. The information relating to Social Dialogue is detailed in the 2019 Sustainability Report.

102-41

In ENDESA there were 4 collective agreements in force at the end of 2020, affecting 8,562 employees, 89.3% of the workforce.

| ENDESA employees | | | | | | | | | | | |
|----------------------------|--------------|--------------|------------|------------|----------------------------|-----------|-----------|------------|------------|-------------------------------|------------|
| Spain | Employees | | % | | Portugal | Employees | | % | | Total Spain and Portugal 2020 | |
| | 2019 | 2020 | 2019 | 2020 | | 2019 | 2020 | 2019 | 2020 | Employees | % |
| Staff covered by agreement | 9,029 | 8,562 | 91.05 | 89.40 | Staff covered by agreement | 3 | 0 | 8.33 | 0 | 8,562 | 89.27 |
| Staff outside agreement | 887 | 1,015 | 8.95 | 10.60 | Staff outside agreement | 33 | 14 | 91.67 | 100 | 1,029 | 10.73 |
| Total Spain | 9,916 | 9,577 | 100 | 100 | Total Portugal | 36 | 14 | 100 | 100 | 9,591 | 100 |

402-1/103-1 Management Approach Relations between workers and management/103-2 Management Approach Relations between workers and management/103-3 Management Approach Relations between workers and management/103-1 Management Approach Freedom of association and collective bargaining/103-2 Management Approach Freedom of association and collective bargaining/103-3 Management Approach Freedom of association and collective bargaining

Pursuant to Spanish labour regulations and with ENDESA's labour regulations in 2020, the criteria to be followed in the event of business reorganisation and corporate restructuring have been established, whereby Union representatives will be informed at least 30 days before any such corporate restructuring and reorganisation is actually implemented.

The most important actions regarding collective bargaining in 2020 were as follows:

- Signing of the 5th ENDESA Framework Collective Agreement.
- Signing of the Framework Guarantee Agreement for ENDESA SA and its electricity subsidiaries domiciled in Spain.
- Voluntary Agreement on Suspension or Termination of employment contracts 2019-2024
- Agreement on the inclusion of ENDESA Ingeniería in the functional scope of the 5th ENDESA Framework Collective Agreement.
- Agreement on the transfer of ENDESA Energía employees to ENDESA X Servicios, SL.

43.49% of employees are affiliated with a union at the end of 2020.

Spain has been an ILO signatory since its foundation, and ENDESA's conventional regulations meet the existing Conventions ratified by Spain.

Organisation of working time

The annual working day is established in accordance with the terms set forth in the ENDESA regulations.

Regarding the total number of hours worked referring to contractors in 2020, they came to 35,194,356.69.

| Hours worked by gender 2020 | | | |
|---------------------------------------|-------------------|---------------|-------------------|
| | Spain | Portugal | Iberia |
| Workforce at 31 December | 9,577 | 14 | 9,591 |
| Men | 12,370,186 | 11,520 | 12,381,706 |
| Women | 3,843,303 | 15,360 | 3,858,663 |
| Total hours worked in the year | 16,213,489 | 26,880 | 16,240,369 |

Right to disconnect

ENDESA recognises the right to disconnect, given the risk that the impact of technology on the Company and its influence on new forms of existing flexible work may interfere with the work-life balance of people. That is why we are working on the development of a more detailed digital disconnection policy.

In this regard, following the approval at the end of 2018 of Organic Law 3/1028 of 5 December on the "Protection of Personal Data and guarantee of digital rights", ENDESA identified the need to advance in the preventive field and address new measures that reduce or mitigate possible cases of computer stress or fatigue in line with the provisions of said regulations and under the terms established in Article 46 of the 5th ENDESA Framework Collective Agreement, for which the Company will prepare an internal Policy in which the procedures for exercising the right to digital disconnection and the training and awareness actions of workers on the reasonable use of technological tools will be defined to avoid the risk of computer fatigue.

5. EMPLOYMENT CLIMATE

At ENDESA we launch a **climate survey** every two years to find out about the motivation and commitment of employees to the company. At the end of 2020, a new Climate survey was carried out ("Open listening - interview to build our future"), as a sensor of satisfaction in all the territories in which ENDESA is present. In this survey, a 90/100 employee engagement result was obtained, exceeding the 70/100 target set in the Sustainability Plan for this indicator. In the previous survey, carried out in November 2018, a result of 60.5/100 was obtained.

In 2020, due to the health crisis situation during which the work model had to be transformed, different surveys were carried out at different levels of the organisation, to find out how employees felt and how they were adapting to the new remote work model, incorporating items on leadership, motivation, workload and commitment. The participation rate of the management team in the last survey carried out in July was 93%, and that of the rest of the employees 78%.

The results have been shared with the entire workforce through an infographic that shows the score obtained in the different items and the main lines of improvement actions. Likewise, the action plan has been shared in greater detail with the managers in virtual sessions and with the Management Committee.

Action plans have been put in place in different areas of the organisation and at all levels, with the aim of accompanying employees during the health crisis, focusing on safety and with the aim of increasing physical and emotional well-being, in addition to increasing motivation and maintaining commitment to the company.

The initiatives forming these plans aim to leverage ENDESA's strengths and values to address the areas of improvement identified. A large number of these were aimed at further improving management skills in environments that are increasingly digital, flexible and diverse. Another important group of measures was aimed at encouraging employee participation in decision-making on projects and processes, developing the values of trust, proactiveness, responsibility and innovation on which ENDESA bases its management model.

Notable examples of actions included in these plans included: Accompaniment actions for employees ("We Follow Together" Appetisers), actions on leadership, time management and emotional management, as well as projects to increase pride of belonging (We change), or guidelines for a New Work Model. So that people have them available and can consult them to apply them in their day-to-day lives, a specific site has been created on the company's intranet.

Regarding the climate action plans that were defined after the 2018 climate survey, they have been periodically monitored, to ensure compliance with the planning and the effectiveness of the actions, as well as the objectives set for 2020.

6. RESPONSIBLE MANAGEMENT OF PEOPLE AT ENDESA

103-1 Employment Management Approach/103-2 Employment Management Approach/103-3 Employment Management Approach

6.1. ENDESA's commitment to diversity

103-1 Non-discrimination Management Approach/103-2 Non-discrimination Management Approach/103-3 Non-discrimination Management Approach/103-1 Diversity and Equal Opportunity Management Approach/103-2 Diversity and Equal Opportunity Management Approach/103-3 Management Approach Diversity and Equal Opportunity

ENDESA believes in diversity among its employees as an enriching element for the Company. The progressive increase in the number of women in the workforce, the incorporation of people of other nationalities, the incorporation of younger people to rejuvenate the workforce, the recognition of the most veteran people, as well as the integration of people with disabilities are signs of compliance with the various dimensions that make up its Diversity and Inclusion Policy (age, gender, culture and disability).

103-1 Management Approach diversity and equal opportunities/103-2 Management Approach diversity and equal opportunities/103-3 Management Approach diversity and equal opportunities/103-1 Management Approach non-discrimination/103-2 Management Approach non-discrimination/103-3 Management Approach non-discrimination/103-1 Management Approach Employment/103-2 Management Approach Employment/103-3 Management Approach Employment

6.1.1. The Diversity and Inclusion Policy

ENDESA, as part of the Diversity and Inclusion Policy and the company's Human Rights Policy, rejects all manner of discrimination and undertakes to guarantee and promote diversity, inclusion and equal opportunities. ENDESA does everything possible to encourage and maintain a climate of respect for the dignity and individuality of people and ensures the highest standards of confidentiality with respect to any information related to employee privacy, of which it is aware. As a result, in accordance with and as a part of the values included in the ENDESA Code of Ethics, ENDESA adopts the following fundamental principles:

- Non-discrimination.
- Equality of opportunity and dignity for all forms of diversity.
- Inclusion.
- Balancing of personal, family and professional life.

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Based on the above principles, ENDESA undertakes to implement specific actions to promote non-discrimination and inclusion in the dimensions that make up its Diversity Policy, as well as to periodically monitor the actions and the different indicators. In 2020 there were no incidents of discrimination at ENDESA, a figure that the Company periodically reports to the Workers' Representatives. Furthermore, ENDESA has developed an action protocol against sexual harassment, which guarantees its activation whenever there is a complaint of sexual or labour harassment.

6.1.2. Promotion of gender equality

ENDESA promotes gender equality in all areas of the Company, paying special attention to both internal and external gender objectives, which are included in the Strategic Sustainability Plan (2021-2023):

| Diversity and inclusion | | | | | |
|---|-------------------------------------|---|-------|-------|-------|
| | 2021-2023 Targets | | | | |
| | | 2020 | 2021 | 2022 | 2023 |
| Increase the presence of women in positions of responsibility (%) | Management Positions ¹ | 18.5% | 20.0% | 20.0% | 20.5% |
| | Intermediate positions ¹ | 32.8% | 33.0% | 33.3% | 33.5% |
| Promotion of gender diversity in selection processes (% women) | | 36% | 50% | 50% | 50% |
| Promotion of gender diversity in personnel recruitment (global% of women) | | 38% | 39% | 39% | 40% |
| Professional guidance in STEM areas for women | | >2,500 women involved in the period 2020-2023 | | | |

Every month, the data and results of the actions carried out in the area of gender diversity are published and the evolution is analysed, with respect to the objectives set for 2020.

Compared with the previous year, the number of women in selection processes has increased, as well as the number of women on the Board of Directors, and in positions of responsibility:



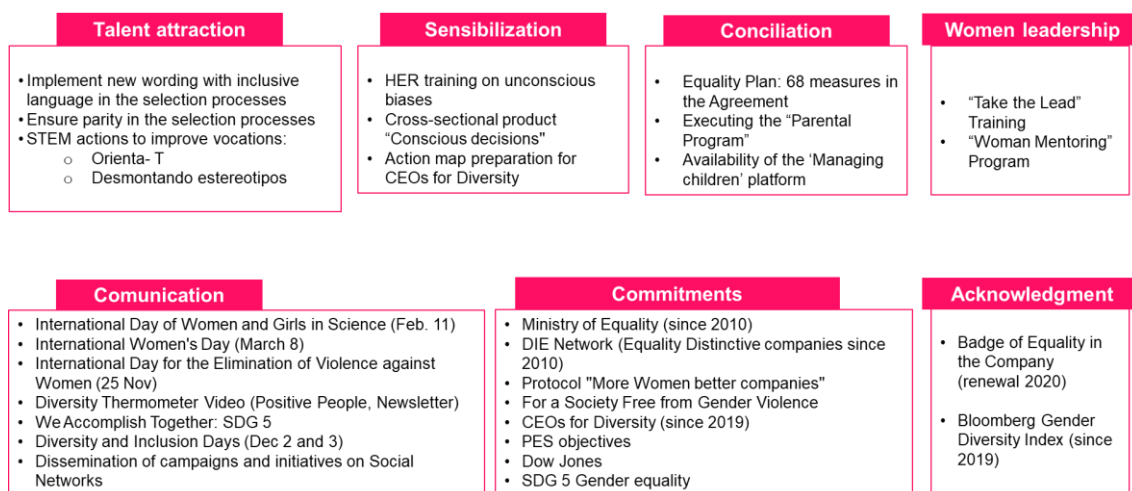
In 2020, the percentage of women hired reached 32%.

Regarding positions of responsibility, the percentage of women in managerial category positions in 2020 reached 32.6% in middle management, only 0.2% from achieving the goal, and 19.7% in management positions, compared with 18.7% in the previous year.

Policy enforcement

ENDESA has an Equality Plan that sets up a framework of action to promote effective equality, equity, development, work-life balance and joint responsibility among all professionals, and which is part of the 5th Framework Agreement.

In addition, ENDESA has defined a Gender Diversity Action Plan, aligned with the Diversity and Inclusion Policy, aimed at three main objectives: increasing the presence of women in the company, increasing the presence of women in positions of responsibility and guaranteeing equal pay. To achieve these goals, various initiatives structured around three pillars are developed: Attraction of talent, Awareness and Promotion of female leadership. In addition, complementary communication actions are carried out, external commitments are established and the evolution of the actions and their impact are monitored.



Voluntary Commitments with the Administration

Within the framework of the voluntary commitments that ENDESA has acquired with the Ministry of Health, Social Services and Equality (hereinafter the Ministry), the following should be noted:

- Company Equality Badge
- Initiative "More women, better companies"
- Initiative "For a society free of gender violence"

There are also commitments with other entities and public reports of the objectives:

- Equality Plan in the 5th Framework Agreement
- CEOs for Diversity (since 2019).
- Sustainable Development Goal: SDG 5: Gender equality

Company Equality Badge

As a result of ENDESA's commitment to equality, the Ministry granted ENDESA in 2010 the "Equality in the Company" badge, which has been renewed every three years since then. The monitoring reports required in order to maintain the badge are presented annually, and in 2020 the third extension of the badge was requested. Furthermore, ENDESA is part of the Business Network with the Equality badge and has actively collaborated in the different initiatives promoted by this Network.

Initiative "More women, better companies"

Within the framework of the "More women, better companies" initiative, with which ENDESA has been collaborating since 2014, it maintains its commitment to the Protocol 2019-2023 to promote a balanced participation of women and men in pre-managerial and managerial positions and Management Committees. The Protocol contains quantitative objectives related to the presence of women in positions of responsibility, as well as qualitative commitments related to the promotion of technological vocations in girls, female leadership development programmes, employee awareness, measures to support parenthood, and visibility of female talent inside and outside the company. The objectives committed to in this Protocol are monitored through biannual reports.

CEOs Alliance for Diversity

In addition to the commitments signed with the Ministry, ENDESA has maintained its commitment to the CEOs Alliance for Diversity in force since 2019, promoted by the Adecco and CEOE foundations. By signing the Alliance, the CEO of ENDESA recognises diversity, equity and inclusion as fundamental values that enrich companies and strengthen their competitiveness. And he undertakes to promote diversity strategies at ENDESA, to involve its Management Committees and to create a common vision of diversity.

Convention Equality Plan

103-1 Employment Management Approach/103-2 Employment Management Approach/103-3 Employment Management Approach

ENDESA has an Equality Plan that contains Human Resources Policies that promote the implementation of the necessary actions to facilitate the inclusion of women in decision-making positions and with greater amounts of responsibility.

The plan has been negotiated and agreed with the Social Representation, and its application is supervised within the framework of the Equality Commission. It is structured in 4 sections:

- Measures aimed at promoting equal treatment and opportunities between women and men.
- Measures relating to the reconciliation of personal and family life with working life.
- Specific measures for the protection of pregnancy, of the biological mother, of the other parent other than the biological mother and for the care of the breastfeeding infant.
- Special measures for the protection of victims of gender violence and victims of terrorism.

The Plan guarantees the effective application of the principle of equal remuneration for work of equal value and, specifically, the non-existence of remuneration differences based on gender.

Likewise, the Plan includes the possibility of adapting the working day, through flexible hours, a temporary change in hours, reductions of working hours, and family care leave. Likewise, it has specific measures for the protection of pregnancy and maternity, and special measures for the protection of victims of gender violence. As a tool to help in the care of children, for both mothers and fathers, the Plan foresees the establishment of agreements with kindergartens, and raising awareness of equality through information and communication.

In this way, in Spain all the measures provided for in the Equality Plan have been developed. Its evaluation and monitoring is carried out jointly by the Company Management and the Social Representation, through the Joint Equality Commission provided for in the aforementioned Collective Bargaining Agreement.

Finally, as part of the fight against gender-based violence, it should be remembered that ENDESA's Equality Plan, included in the Collective Framework Agreement, includes special measures for the protection of victims of gender violence.

6.1.3. Promotion of other issues of diversity (age, nationality and disability)

| | Programmes |
|-------------|---|
| Age | <ul style="list-style-type: none"> Mentoring programmes are intended to support employees in their main transition periods, and especially after being hired by the Company. Knowledge transfers: include mentoring programmes and internal training actions. Our greatest Values: initiative to recognise the professional trajectory of older people. |
| Nationality | <ul style="list-style-type: none"> Tutoring for expatriates: assignment of a tutor from the country of destination who helps and supports them during their expatriation period. |
| Disability | <ul style="list-style-type: none"> Family Plan of the Adecco Foundation: counselling and assistance therapies for family members with disabilities. Specialised confidential consultation service to provide information and advice on disability from the Randstad Foundation. Training for people in the People and Organisation function to broaden their knowledge of disability and raise awareness of the importance of the inclusion of persons with disabilities in the workplace and of all current regulations in this area. Awareness activities for the entire staff on Diversity Days. |

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The Company has provided support service to the 82 employees with disabilities that we have this year in the workforce.

| Persons with disabilities hired | | |
|---------------------------------|------|------|
| 2018 | 2019 | 2020 |
| 76 | 79 | 82 |

ENDESA complies with current regulations on disability, as approved in the General Disability Law, and also as a sign of its commitment to the inclusion of people with disabilities, ENDESA has signed up to “The Valuable 500”, an initiative aimed at 500 private sector companies with the aim of promoting and integrating the business, social and economic value of people with different capabilities around the world. The company, which already has disability on the agenda of its Board of Directors, has thus acquired a public commitment to action on disability. For more information see section 8. THE VALUABLE 500 in the chapter Commitment to sustainability.

Integration and universal accessibility of people with disabilities

ENDESA complies with current regulations on disability, as approved in the General Disability Law, ENDESA also complies with all local regulations and building codes applicable in the countries where it operates in terms of accessibility to its facilities for people with disabilities. In this regard, ENDESA has Operational Instruction 715 of the Comprehensive Office Improvement Project, in whose Manual of Construction Standards for ENDESA offices, it is established that “It is essential that in all buildings access and use is facilitated that is non-discriminatory, independent and safe for people with disabilities”, defining the parameters of accessibility that, apart from current legislation, must be mandatory in all company buildings.

ENDESA develops actions in the field of integration of people with disabilities, collaborating with foundations working to this end.

6.2. Reconciliation of professional, personal and family life

103-1 Employment Management Approach/103-2 Employment Management Approach/103-3 Employment Management Approach

In 2020, 7,583 employees (2,218 women and 5,365 men) benefited from some form of action aimed at reconciling professional, personal and family life at ENDESA.

| Number of employees who benefited from the initiatives to promote work-life balance in 2020. | |
|--|-------|
| Women | 2,218 |
| Men | 5,365 |

ENDESA continued to take steps to consolidate its flexible working environment which is designed to enable its employees to strike a balance between personal, family and professional life. The measures that the Company is taking to facilitate the reconciliation of work and personal life fall into five main groups: quality of employment (permanent contract, pension plans, health and well-being, support for expatriates, etc.), temporal and personal flexibility (reductions in working hours, leave of absence, paid leave, etc.), support for the family (leave of absence, leave and flexibility for the care of family members, help for elderly dependants, etc.), professional development (professional / technical training / skills training / language training, volunteer programmes, coaching, etc.) and equal opportunities (professional assistance for victims of gender violence, medical advice, etc.).

In 2020 ENDESA has continued to offer its people measures that allow the working day to adapt to their needs, through time flexibility, temporary changes to hours, reductions in working hours, family care leave, paid leave, unpaid leave and absences and telework.

Among these measures, ENDESA has continued to promote the "Work Out of the Office" project. Up until March 2020 this innovative form of work based on trust allowed employees greater flexibility and independence in choosing spaces, times and forms of work. As a result of the COVID-19 pandemic, the "Work Outside the Office" modality has evolved to respond to the legal requirements derived from the implementation of the State of Alarm at the start of the pandemic in Spain. More than 6,000 people began to do their work in Telework mode, to guarantee their health and safety against contagion. Throughout 2020, teleworking has continued to be applied in all those cases in which it is possible to carry out the activity remotely, as a way to preserve health against contagion, while continuing to accompany people to maintain motivation and results.

Furthermore, the "Days without school" programmes and the camps have continued to offer employees' children a leisure alternative to provide solutions on days or holidays when the employees have to work and need to reconcile their professional, personal and family life.

In the Barcelona, Madrid and Seville offices, in order to favour women who have been mothers, the breastfeeding room service has continued to be offered.

ENDESA is a company firmly committed to its employees' health, and has been promoting the Training Programme since 2011. This programme encourages the practice of sport, through a company subsidy to employees for a maximum of 25 euro per month. During 2020, 4,650 employees, 3,223 men and 1,427 women enjoyed this programme.

| Total number of people by type of measure (*) | |
|---|-------|
| Work Out of the Office | 6,180 |
| Train Yourself programme | 4,650 |
| Flexible timetable | 2,152 |

ENDESA makes a specific Offers Channel available to all its people as employees. This channel includes a wide variety of products and services at competitive prices, ranging from leisure offers to others related to personal well-being and training. It is also open to solidarity, since there is a section for donations to different social entities aimed at improving the living conditions of those most in need.

In 2020, ENDESA has continued to make its “To Do” room available to its employees at the Madrid headquarters, which, working continually and through on-line payment, brings together services that help facilitate the employees’ lives, such as shoes and clothing, dry cleaning, laundry, financial advice and the repair of mobile phone, tablets and PCs.

There is also an app that allows people to use services such as car pooling, car e-sharing with a fleet of electric vehicles for professional use, cleaning and car repairs, yoga classes, pilates and maintenance gymnastics, nutritionist and travel agency.

401-3

| Levels of return to work and retention after maternity or paternity leave, by sex (number) | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2018 | | 2019 | | 2020 | |
| | Paternity | Maternity | Paternity | Maternity | Paternity | Maternity |
| Employees taking leave | 235 | 102 | 265 | 82 | 237 | 89 |
| Employees who returned to their jobs after their leave | 215 | 77 | 262 | 67 | 235 | 82 |
| Employees who returned to work after their leave ended and who remained in their posts for twelve months after returning to work | 175 | 76 | 230 | 96 | 260 | 67 |

RESPONSIBLE RELATIONSHIP WITH COMMUNITIES



| | Line of action | 2020 Objective | 2020 Profit/Loss | Key actions |
|-------------------|---|----------------|------------------|--|
| Local communities | Access to energy (Number of beneficiaries) | 300,000 | 225,563 | During the confinement period it supplied free energy to field hospitals and medical hotels. |
| | Education (Number of beneficiaries) | 52,000 | 112,365 | In 2020, actions were developed to minimise the digital divide for students and teachers in the new post-COVID relationship model. |
| | Socio-economic development (Number of beneficiaries) | 130,000 | 139,228 | ENDESA provided advice and digitisation solutions to SMEs, VSEs and the self-employed as an element for their economic reactivation: training, mentoring, microcredits and digitisation. |

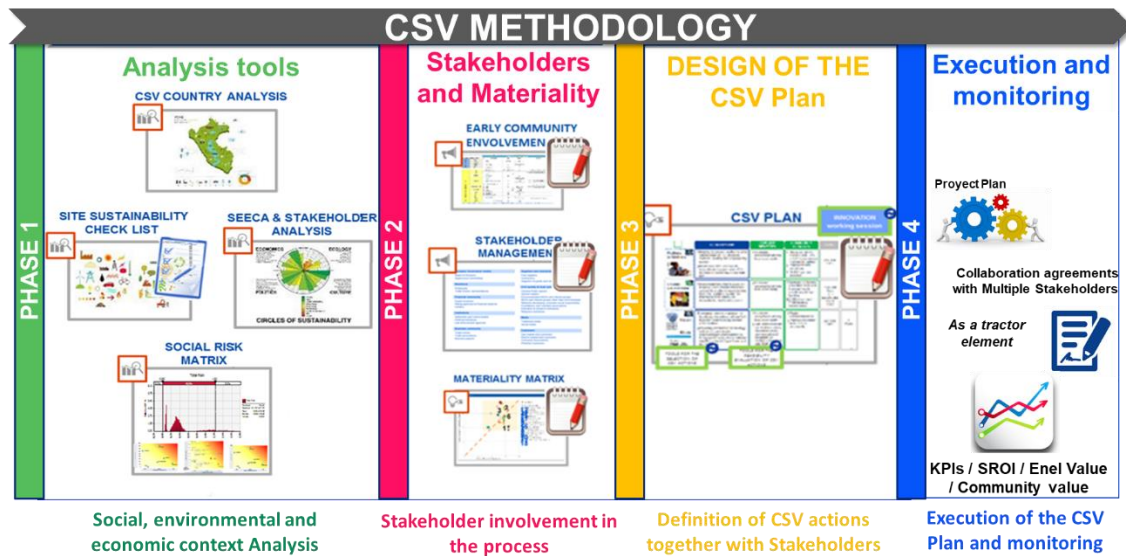
1. ENDESA'S COMMITMENT TO COMMUNITIES

103-1 Indirect economic impacts Management approach/103-2 Indirect economic impacts Management approach/103-3 Indirect economic impacts Management approach/103-1 EUSS Local communities Management approach/103-2 EUSS Local communities Management approach/103-3 EUSS Local communities Management approach/103-1 Local communities Management approach/103-2 Local communities Management approach/103-3 Local communities Management approach

ENDESA's commitment to the development of the communities in which it operates is part of the Company's Creating Shared Value (CSV) Policy, which establishes the general principles and the methodology for the implementation of actions that allow the value that business assets and projects can contribute to local communities to be maximised. This perspective makes it possible to combine the objectives of the company with the priorities of local stakeholders. It is proposed with the ultimate objective of legitimising the business throughout the entire value chain and consolidating its sustainability through roots and acceptance in the communities, promoting progress in the local environment where it operates.

2. ACTION UNDER THE CSV APPROACH

413-1/103-1 Indirect economic impacts Management approach/103-2 Indirect economic impacts Management approach/103-3 Indirect economic impacts Management approach/103-1 Local communities Management approach/103-2 Local communities Management approach/103-3 Local communities Management approach



ENDESA, since 2016, has been in a process of integrating sustainability into business strategy and operations under the CSV approach. To this end, an exhaustive and rigorous accompanying methodology is applied to the company's assets in all phases of the value chain: from the asset construction project phase, through the operation and maintenance of the facility, to closing and dismantling at the end of its useful life.

The application of the CSV Process has four phases, that begin with an analysis of the local environment where the asset or project is located. This is followed by a phase of dialogue with local interest groups in which they are shown the asset or project and invited to express their perceptions and sensitivities about it. Through a participatory process, we move on to phase 3, preparing the CSV plan, which is carried out jointly with the stakeholders, and whose objective is to maximise the positive impacts that the project or asset can generate in that local environment, also minimising negative impacts. Finally, in phase 4, the actions included in the CSV plan are monitored and updated with the required frequency according to the nature of the actions and the evolution of the environment.

The progressive implementation of the CSV model is planned in all of the Company's businesses. Implementation in the Distribution business line has started, and it has been implemented in 100% of the thermal and renewable generation facilities throughout the value chain, with different degrees of progress.

CSV processes at ENDESA (*)

| | Thermal Generation | Renewable Generation | Infraestruct. And networks | TOTAL |
|-------------------------------------|--------------------|----------------------|----------------------------|------------|
| Business Development | 2 | 12 | 0 | 14 |
| Engineering and Construction | 9 | 26 | 1 | 36 |
| Operation | 21 | 249 | 0 | 270 |
| TOTAL | 32 | 287 | 1 | 320 |

(*) Application of a CSV process is considered to mean the use of at least one CSV tool in relation to an asset or project. CSV applications in the "Business Development" or "Engineering and Construction" phase may be related to assets in operation where modernisation projects are being carried out.

In 2020 there were 320 applications of the CSV model in 313 facilities at different stages of the value chain.

ENDESA, within the Strategic Plan, has a very demanding path towards decarbonisation, with a complete restructuring of the generation mix in just 2-3 years. And this change in the energy model is being carried out in a responsible way with local communities. In all actions addressed by the generation business, special focus is placed on local communities. Each of the renewable construction projects is accompanied by a specific CSV plan. And all thermal power plants in operation have a CSV monitoring process. In the rest of the assets, a progressive implementation plan has been defined with a calendar scheduled for 2021. Finally, the four projects for the total closure of coal plants that ENDESA has currently presented are accompanied by a Future Plan that is presented to the competent Ministry on a voluntary basis and with the aim of mitigating their negative impact on the local community.

2.1. CSV support to new renewable park construction projects

It is proposed with the aim of promoting the link between the asset and the local community from the earliest phase of the asset, with the construction project, and then for more than 25 more years of the parks' operation. The support takes shape through CSV plans, which in this engineering and construction phase have 3 lines of action:

- Sustainable engineering and construction, with initiatives that go beyond what is required by environmental regulations in the construction of renewable parks.
- Promotion of employment and improvement of the employability of the local population:
 - Training courses, which allow the recycling of the local population in the renewable sector, with growth potential in the area:
 - Trackers and photovoltaic panels assembly course. During 2020, 413 people in the construction project environment received this training.

participation of local communities, to develop the integration of the asset with its environment, promoting local development and a long-term sustainable relationship.

- In 2020, the implementation of the model was launched in 12 renewable plants (9 hydraulic and 3 wind) through sustainable efficiency measures and with the aim of measuring the impacts of the operation's activities on waste (reuse of sediments, reuse and recycling of river debris, etc.), emissions (use of electric vehicles by operation and maintenance personnel, LED lighting, etc.), water and people (promotion of sustainable tourism, sustainable maintenance of operational excellence, promote the increase from farm income, protection of wildlife near transformers, etc.). Its objective is to mitigate negative impacts and maximise positive ones under the approach of creating shared value, promoting the circular economy, through specific action plans.
- In thermal generation, the plants with the greatest progress in CSV plans are the thermal generation facilities in the Canary Islands and the Balearic Islands where, apart from their operation, projects are being developed to adapt to European emissions regulations. However, shared value actions have been developed in all thermal generation assets. In addition, the deployment of the sustainable plant model has begun, the implementation of which is scheduled for 2021.

2.3. Support to decarbonisation projects: Futur-e Plans

ENDESA maintains a firm commitment to the decarbonisation of society, as indicated in the 2021-2023 ENDESA Strategic Plan.

From its commitment to local communities, together with the closure request, ENDESA has voluntarily submitted Future Plans that contribute to mitigating the negative impacts derived from the closure in the affected areas.

The Future Plans have 4 main lines of action:

- Proactive job search for directly affected staff members. ENDESA will respect the jobs of all plant employees, trying to minimise their geographical mobility. Likewise, the company will prioritise the hiring of personnel from the surrounding area to undertake the dismantling of the plants, as well as the development of new renewable facilities.
- Promotion of economic activity and employment With the commitment to the development of the local community with a focus on attracting investment and generating employment in the vicinity of the closures, through own investment in renewable generation in those locations where it is viable and/or the search for alternative uses to placement in those locations where the above is not feasible. The latter is managed through an ideas competition, so that companies, institutions and other public and private agents can present viable alternatives, through a participatory, transparent and open process, in order to seek investment and job creation projects on the site of the plants or in their surrounding areas.
- Education and training to improve employability. Aimed at the population of the area of influence and focused on training in skills necessary for the dismantling of the plants and construction and operation of the new renewable parks.
- Sustainability in the municipality. Destined to mitigate the impact derived from the closure in the municipality where the plant is located.

Specifically, in axis 3 of Training and training, it is planned to provide training to 2,400 people. In 2020, five risk prevention courses have already been given in the dismantling of plants in

Compostilla and Teruel, having trained 200 people. This training is carried out with the collaboration of local entities.

Additionally, local contracting is being prioritised both for projects for the dismantling of plants in closure and for the construction of new renewable power in the area, through the inclusion of a binding percentage (minimum 30%) of local contracting in tenders, with an incentive mechanism in a range of up to 80%.

3. SUSTAINABILITY PROJECTS: CATEGORISATION

203-2

Sustainability projects are initiatives promoted, supported, managed and/or subsidised by the company on a voluntary basis and aligned with the needs of the environment, which generate a benefit in the society in which it operates, beyond the normal management of the business, or that promote efficiency or improvements in the management of the company internally.

This approach allows combining the activity in the social sphere of the company with the priorities of the stakeholders, to respond to the strategic priority of "responsible relations with the communities" to face three critical factors identified, according to the 2020 materiality survey:

- The role that ENDESA can play in society as a key agent for its development, with electricity as an essential element for the maintenance of social well-being and the socio-economic development of communities.
- Growing concern for the conservation of the environment: Growing social awareness, implying a paradigm shift in the management of the sector (decarbonisation, distributed generation, sustainable mobility, energy efficiency, circular economy, etc.).
- Concern for the protection of the health and safety of the communities, in a year governed by an unprecedented health, economic and social impact derived from the COVID-19 pandemic.

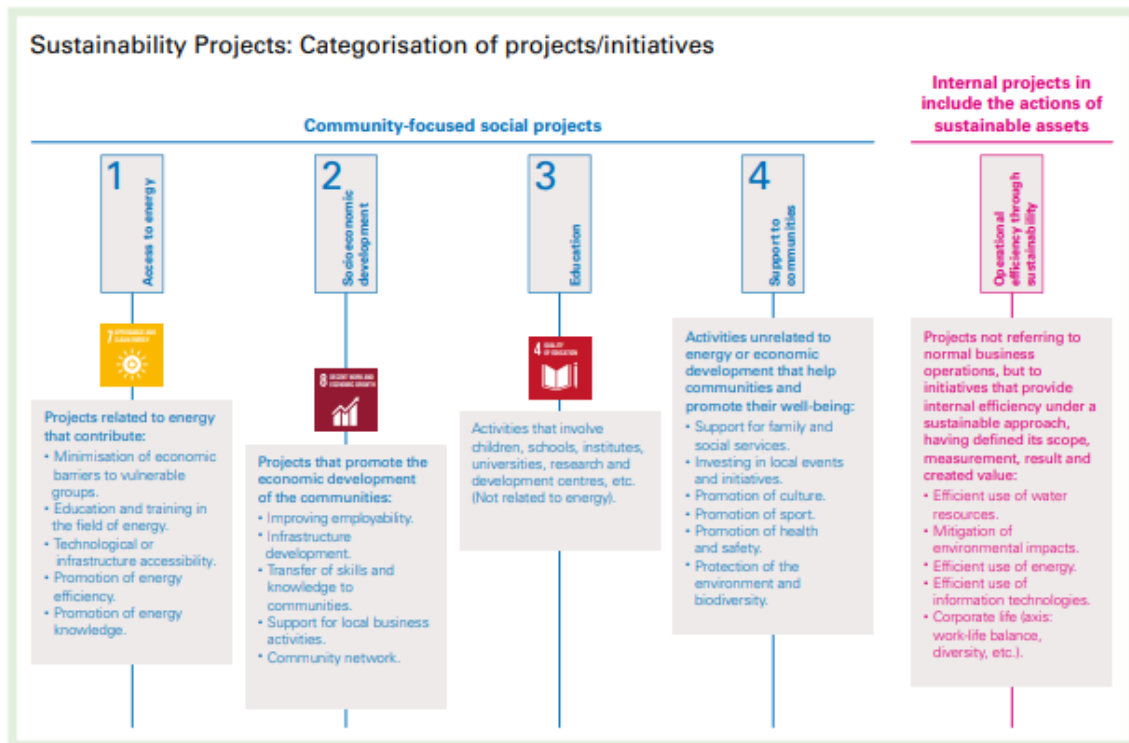
To meet these challenges, three areas of action have been identified:

- Promotion of active listening to social and institutional agents, establishing collaborative alliances and creating shared value that promote local roots and social trust.
- Implementation of sustainability initiatives and projects aligned with materiality and with the commitments to the UN Sustainable Development Goals made by ENDESA, reporting appropriately and rigorously to society on its performance and thus bringing the business closer to citizens.
- Launch of the ENDESA Plan for Public Responsibility in the face of COVID, endowed with Euros 25 million, in order to alleviate the health, economic and social emergency situation in which the country has been immersed due to the COVID-19 pandemic. For more information see section 2.3. ENDESA's plan for the health emergency in the chapter Commitment to sustainability.

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ENDESA's Sustainability projects and initiatives are implemented in the different territories where the Company operates and for each of the Business areas, in addition to the ENDESA Foundation.

Regarding the implemented categorisation of projects, 4 groups of projects with impact on the communities are established, and a fifth group internally, related to sustainable operational efficiency, performance of which has already been commented on in section “2.2. CSV support to facilities in operation.” So, from now on, the analysis focuses on categories 1 to 4.



The sustainability projects will be projects:

- That accompany the business, generating value for the local community.
- Responding to material issues in the social sphere of stakeholders.
- With a special focus on sensitive groups (families in vulnerable situations, infancy and youth, the elderly, unemployed, new entrepreneurs, etc.).
- Managed in collaboration with the social representatives of the communities participating in the project.
- With continuity in time and potential to repeat successful actions.
- With obvious and measurable benefits for society and returns in the company.
- With systematic and transparent account rendering, adequately communicated to society.

4. DETAILS OF SUSTAINABILITY PROJECTS

203-2

4.1. Energy access projects

| | |
|-----------------------------------|--|
| | |
| Commitment 2015-2030 | Promotion of access to sustainable, affordable and modern energy, Benefiting 4.1 million beneficiaries |
| Achievements 2015-2020 | 1.9 million beneficiaries |

ENDESA is committed to the development and well-being of the company, which cannot occur without having access to a basic commodity such as energy. In this regard the company promotes initiatives, aligned with its core business, that minimise economic barriers to vulnerable groups, offer training in the field of energy, ensure technological or infrastructure accessibility and promote energy efficiency and awareness about its use. In this way ENDESA contributes to the SDG 7, establishing a public commitment of 700,000 beneficiaries in this type of project for the period 2015-2030.

In 2020 and according to LBG methodology, ENDESA invested more than Euros 2.6 million in social projects in this area, with the management of 35 initiatives that benefited more than 225,500 people. It should also be noted that, included in this category, for example, is the initiative of free supply to medical hotels and field hospitals, which was carried out during the period of confinement.

Likewise, in the category of "Access to energy", among other actions, employability and job creation in the energy sector are promoted as there is a subcategory "Training and qualification in the field of energy" that frames courses, internships and creation of professional opportunities for unemployed people. In 2020, close to Euros 349,000 was invested in 13 projects of this type that benefited 1,031 people.

Some of the most relevant projects stand out:

| Category | Subcategory | Project | Description | Results 2020 | Scope | Volunteering | Project partners |
|------------------|--|--|--|---|---|--|---|
| Access to energy | Minimisation of economic barriers | Energy Volunteering | Aimed at households that are in a situation of energy poverty, with two levels of action: Recommendations to families for the optimisation of their electric bill and the reduction of their energy consumption, including distribution of efficiency kits for DIY and identification of risk situations in the electrical installations of the most vulnerable homes, which are subsequently corrected by certified installers. The project was halted in the first half of 2020 due to the pandemic, and in the second half it was resumed in online format. It is currently in process . | 153 families | Aragón, Catalonia, Andalusia, Northwest, Canary Islands, Balearic Islands | 109 ENDESA employees 214 hours in business hours | Red Cross Ecodes |
| | | Training in efficient energy consumption habits and optimisation of the bill | Programme of training courses aimed at workers of social entities in matters such as energy saving and efficiency measures, new social bonus, optimisation of the electricity bill or protection against cuts due to non-payment so that, in this way, they can better develop their advisory work and support for families in vulnerable situations. Currently in online format. | 136 institutions 21,710 people in energy poverty benefited Course rating: 4.5/5 | General Spain, Andalusia, Extremadura and Aragón | ACA EAPN-ES | |
| | Promotion of energy awareness | Open plants | Educational visits organised to the thermal and renewable generation plants by local primary and secondary school pupils. The initiative was launched in the first quarter of the year, and came to a halt in March. | 465 students 23 schools | Thermal power plants of the Canary Islands and the Balearic Islands. Renewable plants in Northwest and the Canary Islands | Schools and institutes in the areas | |
| | Employability and job creation in the sector | Vocational training in the electricity sector for people at risk of exclusion. | Promoted by the ENDESA Foundation, its aim is to improve the employability of young people and adults in a situation of special vulnerability, as well as the long-term unemployed. | 512 people trained | Palma de Mallorca, Ponferrada, Tenerife, Huelva, Mondoñedo-Ferrol, Huesca, Tarragona and Madrid | 9 ENDESA employees 36 hours during business hours | Cáritas Diocesana, Asociación Norte Joven, Asociación Padre Pulgar and Fundación Magtel |

4.2. Community Socio-Economic Development Projects (*)



| | |
|-----------------------------------|--|
| Commitment 2015-2030 | Promotion of employment and sustainable, inclusive and sustained economic development for 1.9 million beneficiaries |
| Achievements 2015-2020 | 0.65 million beneficiaries |

ENDESA is committed to the socioeconomic development of the communities in which it is present, promoting initiatives that boost its progress through the support, generation and creation

of local economic fabric and programmes that promote employability and job creation. In this way ENDESA contributes to the SDG 8, establishing a public commitment of 1.9 million beneficiaries in this type of project for the period 2015-2030.

This area encompasses projects unrelated to energy that contribute to employment development, infrastructure development, skills transfer and training and support to local business activities.

In 2020 the company invested more than Euros 9.7 million according to LBG methodology in this type of initiative, representing 29% of the total investment, with the management of 93 projects (48 in 2019) that benefited more than 139,000 people. Of these, 48 projects correspond to the second phase of the ENDESA Plan for Public Responsibility for COVID, many of which will be developed throughout 2021. For more information see section 2.3. ENDESA's plan for the health emergency in the chapter Commitment to sustainability.

29% of social investment in Spain and Portugal according to the LBG methodology, was allocated to socio-economic development projects.

We highlight some of the most important initiatives:

| Subcategory | Project | Description | Results 2020 | Scope | Volunteering | Project partners |
|-------------------------------|--|---|---|--|--|---|
| Employability | Training in occupational risk prevention - Canary Islands | Framed in the CSV Plans of generation plants in the Canary Islands, this initiative aims at the socio-labour inclusion of groups in vulnerable situations through training designed to encourage their inclusion in the labour market. The training coincides with the improvement works that are being undertaken in the power plants in order to improve the training of the unemployed in the municipalities and promote contracting between local companies. | 92 beneficiaries | Granadilla and Candelaria thermal power stations (Tenerife) and Barranco de Tirajana thermal power station (Gran Canaria) | | Red Cross Municipalities of Candelaria, Granadilla de Abona and San Bartolomé de Tirajana |
| | Savia | Initiative of the ENDESA Foundation whose purpose is to help the more than one million unemployed people over 50 years old in Spain, helping to create a movement of change in favour of senior talent, generating new professional opportunities and creating a meeting and innovation space to develop initiatives that increase the employability of the elderly. At the same time, it offers the business community (start-ups, SMEs, NGOs, training centres, etc.) the experience of these professionals to strengthen their organisations. | 30,000 beneficiaries of the activities. | General Spain | 30 ENDESA employees 120 hours during working hours | Mashumano Foundation |
| Support for local development | Assignment of the use of company assets | ENDESA transferred the use of multiple assets and facilities of the company in 2020 to Municipalities and other social institutions, in order to promote the social and economic development of the communities, to promote the tourist activity of the area and to stimulate the local economy. Examples of this would be the transfer of Ademuz and Vallanca land and buildings, the rehabilitation of the bell tower of the church of San Miguel de Jánovas (Huesca) or the transfer of ENDESA premises in Adamuz to the Parish of San Andrés, in Córdoba. | More than 22,000 local beneficiaries | Rural villages Spain (Castell de Mur, Espot, La Guingueta d'Aneu; La Torre de Capdella; Lladorre; Pobla de Segur; Tremp, Vielha, Lepe, Ademuz and Vallanca, Jánovas, Llavorsí, Talarn, Compostilla, As Pontes, Espiñaredo and Adamuz.) | | Municipalities of La Guingueta, Castell de Mur, Espot, Torre de Capdella, Llavorsí, Caspe, Lepe, Ademuz, Vallanca, Talarn y As Pontes, Forestalia, Parroquia de San Andrés, Centro Excursionista de Cataluña; Club Nautic; Consell Generau de la Vall d'Aran; Federación de Entidades Excursionistas de Cataluña; Forestal Catalana |

4.3. Education Projects

| | | |
|--|-----------------------------------|---|
| | Commitment 2015-2030 | Support to the education of 0.8 million beneficiaries through different educational projects |
| | Achievements 2015-2020 | 0.3 million beneficiaries |

ENDESA is committed to promoting access to inclusive and quality education, through support for training activities that involve students, families, colleges and universities and the promotion of academic training, in general, not related to energy. In this way ENDESA contributes to SDG 4, establishing a public commitment of 800,000 beneficiaries in this type of project for the period 2015-2030.

In 2020 and according to the LBG methodology, the Company invested more than Euros 4.3 million in this type of project, representing 13% of the social investment with the management of 56 actions that benefited more than 112,000 people (73,000 in 2019). This increase is due to the extraordinary actions to minimise the digital gap in education, carried out within the ENDESA Plan for Public Responsibility against COVID. For more information see section 2.3. ENDESA's plan for the health emergency in the chapter Commitment to sustainability.

In the educational field, multiple initiatives were developed, among which the following stand out:

| Subcategory | Project | Description | Results 2020 | Scope | Volunteering | Project partners |
|-------------|----------------------------|--|--|---|--------------|--|
| Education | ENDESA Red Chair: | In collaboration with Spanish universities, the initiative frames different types of activities that serve as a bridge between the academic and business fields through the holding of seminars, conferences, final projects and doctoral theses, as well as research in the electricity sector. | Estimated about 350 beneficiaries. Initiative affected by lockdown | Andalusia, Aragón, Balearic Islands, Canary Islands and Catalonia | | University of Seville, University of the Balearic Islands, University of Las Palmas, University of Catalonia (UPC) University of Zaragoza (UZ) |
| | Virtual campus "Gigantes" | Initiative focused on education, the values of sports, entertainment and helping families with healthy activities for children during the post-confinement period. | 400 children | General Spain | | Gigantes Campus |
| | RetoTech Foundation ENDESA | Technological challenge ENDESA Foundation for the training of teachers and students of 110 Education centres of the Madrid, Aragón and Andalusia Regions in technological entrepreneurship, reinforcing knowledge in creative technology through programming and robotics. | 7,040 beneficiaries between teachers and students | Madrid, Aragón and Andalusia | | Departments of Education of the Autonomous Regions of Madrid, Aragón and Andalusia |

| Subcategory | Project | Description | Results 2020 | Scope | Volunteering | Project partners |
|-------------|---|--|-------------------|-------------------|--------------|---|
| | Donation of material to support inclusive education | ENDESA in Portugal donated computers and furniture to associations, NGOs and educational centres to minimise the digital divide and facilitate access to education for groups in vulnerable situations | 877 beneficiaries | Lisbon (Portugal) | | Comunidade Vida e Paz (Lisbon); Vitae Alcantara - Alcântara Acolhimento Center, Volunteer Firefighters of Vila Nova de Poiares, Salesian College of Manique and Entrajuda |

The economic investment in the education projects of both ENDESA and the ENDESA Foundation amounted in 2020 to more than Euros 4.3 million, according to LBG methodology, with more than 112,000 beneficiaries.

4.4. Projects in support of local communities

ENDESA supports local communities through various types of projects aimed at improving the well-being of individuals and communities, maintaining their cultural identity, preserving their heritage, improving the environment and local biodiversity, promoting sport, encouraging healthy habits and meeting basic needs.

When carrying out these actions, ENDESA is based on the knowledge and sensitivity of each local reality and collaborates with the main social organisations in the environment where it operates, relying on territorial units. This pillar of action had an investment of 50% of the budget according to LBG, which corresponds to almost Euros 17 million, 127 projects managed (75 in 2019) and more than 1.8 million beneficiaries (441,000 in 2019). This increase is due to the extraordinary actions both in the field of health and safety and in the coverage of basic needs, carried out within the ENDESA Plan for Public Responsibility against COVID. For more information see section 2.3. ENDESA's plan for the health emergency in the chapter Commitment to sustainability.

About Euros 17 million allocated to projects to support local communities, among which the more than Euros 8.8 million stands out, according to LBG, which were allocated to health protection initiatives and the more than Euros 5.3 million to cover basic needs.

4.4.1. Projects to support the family and social services:

ENDESA carried out fifty-three actions in 2020 aimed at alleviating critical situations of families and people at risk of exclusion, of which 43 were framed in the ENDESA Plan for Public Responsibility against COVID. This meant an investment of more than Euros 5.3 million. Of the 10 remaining actions, the following stand out:

| Category | Subcategory | Project | Description | Results 2020 | Scope | Volunteering | Project partners |
|------------------------------|--|--------------------------|---|--|---|--|---|
| Support to Local Communities | Support for family and social services | Food collection campaign | ENDESA employees in the Canary Islands, both at the Granadilla, Candelaria and Barranco de Tirajana plants and the corporate areas, carried out different campaigns to contribute both financial resources and food, to alleviate critical situations of families in the area | More than 3,000 kg of food. Contribution of more than Euros 4,400. Estimate of more than 900 beneficiaries | Granadilla and Candelaria thermal power stations (Tenerife) and Barranco de Tirajana thermal power station (Gran Canaria) | 20 volunteer employees 20 hours during business hours | Municipal Social Services, in collaboration with the Red Cross, Cáritas and other NGOs. "El Rosario" foodbank in Las Palmas de Gran Canarias, Banco de Alimentos de Canarias and the Association "Te Acompañamos" |

4.4.2. Culture promotion projects

In 2020 ENDESA maintained its interest in promoting culture in society, collaborating in initiatives such as the Royal Theatre and Friends of the Prado Museum.

4.4.3. Health and safety promotion projects

In 2020, more than Euros 8.8 million were invested in projects of this type (Euros 285,000 euros in 2019) with 45 initiatives that benefited more than 1.2 million people (15,000 in 2019). This increase is due to the extraordinary actions in the field of health and safety, carried out within the ENDESA Plan for Public Responsibility against COVID. For more information see section 2.3. ENDESA's plan for the health emergency in the chapter Commitment to sustainability.

Of the five actions not framed in said Plan, the following stand out:

| Category | Subcategory | Project | Description | Results 2020 | Scope | Project partners |
|------------------------------|--------------------------------------|--|---|--|-------------------------------------|-----------------------|
| Support to Local Communities | Health and safety promotion projects | Medical Smile | Collaboration with the NGO Sonrisa Médica ("Medical Smile") in the Balearic Islands, a pioneer in the field of support with "Hospital Clowns" to patients, which serves ICUs and paediatric and chronic care units for implementation of laughter therapy in curative care. | 3,360 children cared for 94 face-to-face performances 25 online performances | 4 hospitals in the Balearic Islands | Medical Smile |
| | | Ventilators for the Abrantes hospital | Support in the acquisition of ventilators for intensive care to patients affected by COVID-19 | Estimate of more than 390 patients attended | Abrantes (Portugal) | Abrantes Hospital |
| | | Contribution to the fund to fight the coronavirus in Morocco | Contribution for the coverage of social and health needs deriving from the COVID-19 pandemic | Estimate of more than 2,700 beneficiaries | Morocco | Government of Morocco |

4.4.4. Projects to protect the environment and biodiversity

This category consists of projects that voluntarily enhance the dissemination, conservation, research, recycling, regeneration and improvement of the environment in general and of biodiversity in particular for the conservation and improvement of community environment. In 2020 ENDESA allocated more than Euros 424,000 to these projects, according to the LBG methodology.

Some initiatives are highlighted:

| Category | Subcategory | Project | Description | Results 2020 | Scope | Project partners |
|------------------------------|--|---|---|--|-----------------------------------|------------------|
| Support to Local Communities | Research and dissemination on Environmental and Biodiversity issues. | Environmental monitoring of invasive algae species (Rugulopteryx okamurae). | Evaluation of the impact of these invasive algae on the ecosystem and local species around the industrial areas of the Bay of Algeciras (Cádiz). Characterisation of its annual cycle, strengths and weaknesses, in order to obtain a specific management plan for its control. | The project generates new scientific knowledge about an invasive species that alters the local marine ecosystem. | Bay of Algeciras (Cádiz) | FIUS |
| | Bird life and other species protection programmes. | Conservation of Endangered Species of Bats (ENDESABATS) | Scientific research that facilitates the increase of knowledge about populations of bat species in hydroelectric power plants of the Noguera Pallaresa river basin (NE Spain). Surveillance of bat groups throughout the year in some places of interest. | Greater scientific knowledge about bats, their needs, preferences and population parameters. Bats are great allies against pests that can degrade agricultural and forest ecosystems or transmit diseases to the human population. | ENDESA Hydroelectric Power Plants | CTFC |

¹ See Section 3.3. Environmental restoration of the environmental sustainability chapter for more information

4.5. Corporate volunteering

With its commitment to corporate volunteering, ENDESA cooperates in the development of numerous social development projects with the involvement of its employees. Corporate volunteers are a catalyst for other initiatives and bring the company closer to its stakeholders, fostering the development and commitment of the participants. Furthermore, it constitutes a firm commitment to the development of the communities in which it operates, by offering its own personnel in activities that combine the interest of the Company and its stakeholders, such as providing groups in vulnerable situations with access to energy, promoting employability and quality education, or improving the environment.

In 2020, and as a result of the pandemic, numerous volunteer initiatives were suspended during the first half of the year. During the second half, all those that could be carried out on-line were reactivated. 24 volunteer projects were carried out, involving 485 volunteers during working hours and 69 after-hours. This represents a total of 554 volunteers, of which 69 collaborated in both modalities. A total of 1,341 hours were put in by the volunteers during working hours, which would be valued at more than Euros 59,800, and 207 hours by volunteers who collaborated in their free time.

In the initiatives in which ENDESA volunteers collaborated in 2020, more than 41,000 people benefited.

As an example, the following initiatives stand out:

EU26

| Category | Project | Description | Results 2020 | Volunteering | Scope | Project partners |
|------------------------------|-----------------|---|--|--|--|---|
| Socioeconomic development | Changing lives: | An ENDESA Foundation programme, in collaboration with Fundación Integra, whose objective is to improve the employability of people at risk of exclusion, offering them the necessary tools to integrate into the jobs world. Part of the training is given in schools in which the trainers are ENDESA employees. | 712 people trained | 130 ENDESA volunteers 520 hours during business hours | Barcelona, Seville, Madrid and Zaragoza | Integra foundation |
| | Coach Project | Improving the employability of young people at risk of social exclusion, affecting their self-esteem, motivation and professional orientation, using coaching or mentoring techniques T. | 14 people trained After going through the programme, 82% of young people passed the course and 76% continued training. | 14 ENDESA volunteers 149 hours during business hours | Barcelona, Madrid, Seville, Las Palmas, Valencia | Exit Foundation |
| Education | SDGs in School: | A dynamic and attractive educational proposal to share the SDGs and the 2030 Agenda with schools and particularly among primary school children, and thus promote their social participation and active citizenship. | Dissemination among the youngest of the values of the UN Sustainable Development Goals to raise awareness and promote responsible citizens. More than 1,000 participating children in 2020 | 18 ENDESA volunteers 39 hours during business hours | Doñana (Andalusia), Teruel and La Alayaya (Madrid) | Volunteering and Strategy |
| Support to Local Communities | Kestrel rescue | Kestrel rescue by workers from the Carboneras (Almería) power plant and delivery to the Administration's environmental agents, to enable their reintroduction into the environment once recovered. | Preservation of the biodiversity of the local environment | 3 ENDESA volunteers 11 hours during business hours | Carboneras (Almería) | Ministry of Agriculture, Livestock, Fisheries and Sustainable Development |

5. QUANTIFICATION OF ENDESA'S SOCIAL INVESTMENT IN THE COMMUNITY

203-1

For the twelfth consecutive year, the report on ENDESA's social action is presented according to the LBG methodology.

ENDESA has been part of the London Benchmarking Group (LBG) Spain working group since 2008. This methodology allows the contributions, achievements and impacts of the Company's investment in social development in society to be measured, managed, evaluated and communicated.

In 2020, and according to the LBG methodology, ENDESA contributed 33.6 million euro in social investment to the communities in the environments in which it operates, 32 million of which are monetary or in-kind contributions.

| ENDESA's investment in social development projects 2020 (thousands of euros) | | | | | |
|---|---------------|------------|------------|-------------------------|---------------|
| Area | Money | Species | Time spent | Administrative expenses | TOTAL |
| Transverse areas and territorial centres | 27,778 | 197 | 25.3 | 562 | 28,563 |
| ENDESA Foundation | 3,029 | 0 | 33 | 600.5 | 3,663 |
| Business Lines | 890 | 113 | 1.7 | 358.5 | 1,363 |
| Total Iberia | 31,697 | 310 | 60 | 1,521 | 33,588 |

| ENDESA's investment in social development projects (LBG Methodology) | | |
|--|------|------|
| Area | 2020 | 2019 |
| Transverse areas and territorial centres | 85% | 23% |
| ENDESA Foundation | 11% | 30% |
| Business Lines | 4% | 47% |

LBG investment in ENDESA's social projects in 2020 has multiplied over the previous year by more than 2.6, due to the extraordinary budget of the Public Responsibility Plan against COVID, endowed with Euros 25 million euros. For more information see section 2.3. ENDESA's plan for the health emergency in the chapter Commitment to sustainability.

ENDESA continues to develop the approach of optimising and improving management, drawing on the synergies, involving employees and minimising accessory costs. In this regard, administrative expenses refer almost exclusively to the contribution of the time used by the company personnel in the management of the projects, since most people were working from home from March and therefore other costs were very limited. It should also be noted that with this investment 311 projects have been carried out (203 in 2019), benefiting more than 2.3 million people (1,070,620 direct beneficiaries in 2019)

It is relevant to note that this year, exceptionally, the bulk of the investment made in social development projects came from the corporate areas, as these were managers of the budget of the ENDESA Plan for Public Responsibility against COVID.

The level of investment in the social sphere for 2020, considering only financial contributions and contribution in kind in kind, represented 2.3% of the net profit from continuing activities attributable to ENDESA shareholders (5.5% in 2019). This is due to the fact that in 2019 the net result attributable to the Parent Company decreased

| ENDESA's contribution in 2020 to social development projects (LBG Methodology) | | |
|--|------|------|
| By theme | 2019 | 2020 |
| Education | 17% | 14% |
| Health | 22% | 26% |
| Economic development | 37% | 30% |
| Environment | 11% | 1% |
| Art and culture | 11% | 3% |
| Social welfare | 0% | 10% |
| Humanitarian aid | 0% | 16% |
| Other | 2% | 0% |

| ENDESA's contribution in 2020 to social development projects (LBG Methodology) | | |
|--|------|------|
| By nature of investment | 2019 | 2020 |
| One-off contribution | 2% | 77% |
| Social investment | 52% | 11% |
| Initiative aligned with business | 46% | 12% |

Regarding the nature of the projects, the LBG methodology distinguishes between: social investment initiatives, which consist of projects on strategic issues of the company with long-term commitment and initiatives aligned with the business, which seek to promote business interests through support for social causes.

In 2020, a balance was maintained between both categories, with Euros 3.8 million in investment in both, which in turn reflects the long-term strategic commitment to the communities in which it operates under the approach of creating value to be shared between the company and the local community.

Of note is 77% of the investment in one-off contributions, which refer, on an extraordinary basis, to the ENDESA Public Responsibility Plan for COVID. In the same vein and from the point of view of themes, according to the LBG categorisation, it should be noted that 26% of the investment was directed to health protection initiatives. For more information see section 2.3. ENDESA's plan for the health crisis in the chapter Commitment to sustainability.

Looking at the internal classification of projects (explained in the previous section), the distribution of investment according to the LBG methodology was as follows:

| LBG Total Contribution: Money + species + time + management costs | | |
|---|------|-------|
| | 2019 | 2020 |
| Access to energy | 37% | 7% |
| Socioeconomic development | 20% | 29% |
| Education | 15% | 13% |
| Support to Local Communities | 28% | 50% |
| TOTAL (millions of euros) | 12.5 | 33.68 |

There was a significant percentage increase in investment in projects to support local communities, since this category encompasses both initiatives to cover basic needs and health protection projects, both of which are thematic, along with socioeconomic development (29 % of the total investment), integrated into the ENDESA Public Responsibility Plan for COVID.

Finally, in 2020 there were no physical movements of people from local communities, derived from the company's activities.

5.1. Achievements, impacts and returns

203-1/203-2

In 2020, the implementation and development of the methodology that allows the achievements, impacts and returns of social development projects in the communities to be rigorously estimated was maintained. For this, a tool defined under the LBG framework is used, as a result of ENDESA's participation in the LBG Spain working group, the objective of which is to establish the premises, criteria and variables to be able to estimate said information.

Progress was also made in the application of the system for measuring impacts and returns of projects at a quantitative level, through indicators that allow the benefit to society to be monetised (SROI method) along with the possible return for the company (own method).

In 2020 ENDESA carried out forty-nine measurements of the impacts and quantitative returns of projects planned, in progress or carried out, of which 4 correspond to internal sustainable operational efficiency and 3 were pre-evaluations of initiatives that were put on hold due to the confinement. The rest - 42 - correspond to social development projects with the following distribution by categories and results.

| Distribution of social development projects with quantitative impact measurement 2020 | | |
|---|------------------------------|-----------|
| | 2019 | 2020 |
| Access to energy | 11 | 20 |
| Socioeconomic development | 6 | 9 |
| Education | 2 | 3 |
| Support to Local Communities | Environment and biodiversity | 3 |
| | Health | 0 |
| TOTAL | 22 | 42 |

| Return in the company: Equivalent value per euro invested in a period of 5 years | | |
|--|------------------------------|-------------|
| | 2019 | 2020 |
| Access to energy | €0.2 | €1.8 |
| Socioeconomic development | €9 | €2.1 |
| Education | €2 | €1.3 |
| Support to Local Communities | Environment and biodiversity | €4 |
| | Health | - |
| TOTAL | €3.4 | €2.6 |

| Impact on society: Equivalent value per euro invested in a period of 5 years | | |
|--|------------------------------|------------|
| | 2019 | 2020 |
| Access to energy | €7 | €3.8 |
| Socioeconomic development | €41 | €5.8 |
| Education | €2.3 | €3.2 |
| Support to Local Communities | Environment and biodiversity | €8 |
| | Health | - |
| TOTAL | €14 | 4.6 |

The result with respect to the 42 social development projects measured in 2020 is that for every euro invested, over a period of 5 years the community receives a value equivalent to Euros 4.6 million and the company recovers a value equivalent to Euros 2.6 million. The difference compared with 2019 is not significant as different projects have been measured.

5.1.1. Achievements

These are the quantified or estimated result obtained from an investment made through a social development project, in a certain period of time

More than 2.3 million beneficiaries in the 311 social development projects organised in 2020

Number of beneficiaries: In 2020, a total of 2,331,751 direct beneficiaries of the 311 social development projects carried out by ENDESA have been estimated, which represents a considerable increase compared with the previous year (1,070,620 beneficiaries in 2019), derived from the extraordinary actions carried out in the ENDESA Public Responsibility Plan for COVID (1,580,881 beneficiaries). For more information see section 2.3. ENDESA's plan for the health emergency in the chapter Commitment to sustainability.

| Type of project beneficiaries | | |
|--|------|------|
| | 2019 | 2020 |
| People in vulnerable situation/unemployed | 13% | 14% |
| People with disabilities / health problems / users of medical services | 1% | 38% |
| Children and adolescents | 2% | 0.2% |
| Elderly people | 2% | 1% |
| Students | 10% | 5% |
| Women | 1% | 7% |
| Entrepreneurs/companies/SMEs | 0% | 1% |
| Local community | 43% | 11% |
| Society in general | 28% | 7% |
| Health personnel/Law enforcement | - | 15% |

Of these, in 2020 38% correspond to users of medical services, 15% to a new category integrated in an exceptional way this year of Health Personnel and Law Enforcement and 14% to people in vulnerable situations or unemployed. This result is in line with the critical requirements experienced this year, as the company's social actions have been directed at those groups with the most pressing needs. Likewise, it is noteworthy and, for the same reason, that the category of entrepreneurs, companies and SMEs, which in 2019 had 5,729 beneficiaries, almost tripled in 2020 with 14,573 beneficiaries, although at a relative level the percentage increase has little variation.

Number of collaborators: In 2020, 100% of the projects were managed through strategic alliances with public and private organisations, a sign of ENDESA's commitment to contributing to projects and establishing relations of a lasting nature. It collaborated with a total of 1,977 public and private institutions to develop the 311 projects that were carried out in the social field. 70% were primary and secondary schools, 15% public institutions and 10% were NGOs and social foundations. This year, exceptionally, the category of Health Institutions / Law Enforcement was included, with 3% (59 institutions) of the total.

| Type of institutions with which it has collaborated | | |
|---|------|------|
| | 2019 | 2020 |
| Social and environmental platforms | 4% | 1% |
| Cultural entities | 2% | 0.2% |
| Local Businesses | 1% | 0.3% |
| Public institutions | 36% | 15% |
| Primary and secondary schools | 46% | 70% |
| Universities | 2% | 1% |
| NGO/Social Foundation | 7% | 10% |
| Other | 2% | 0.4% |
| Health institutions / security forces | -- | 3% |

Amount of third-party contributions: Considering the multiplier effect, as an additional result of ENDESA's social projects, ENDESA's employees, either through payroll discounts or through donations in kind, contributed a total of Euros 252,068 to social development projects in 2020. 95% correspond to voluntary payroll discounts by 1,406 employees, to contribute to the ENDESA Plan for Public Responsibility against COVID.

5.1.2. Impacts

413-2

These are the estimate of how the initiative has influenced the reality of the agents involved.

In the beneficiaries: Nearly 935,000 people (290,000 in 2019) achieved a positive and relevant transformation in their lives as a result of the initiatives. This derives from the response to critical needs related to the COVID-19 crisis. 41% (33% in 2019) achieved an improvement and 19% became more aware thanks to the projects. These estimated results have a low degree of comparability with respect to the normal management of the company, since they are influenced by the extraordinary actions that ENDESA carried out urgently to alleviate the health, social and economic needs derived from the pandemic.

| Benefits obtained by beneficiaries as a result of the projects | | |
|--|------|------|
| | 2019 | 2020 |
| They achieved a transformation as a result of the initiative | 27% | 40% |
| They got an improvement as a result of the initiative | 33% | 41% |
| Their awareness was raised as a result of the initiative | 40% | 19% |

In the collaborators: It is estimated that the benefits obtained by the 1,977 institutions with which ENDESA has collaborated in 2020, for the management of the social projects that it has carried out, have translated in 99% of the cases, in an improvement of its services or an increase in their capacities, in 64% in an extension of the scope of their activities and in 59% in an increase in their recognition. 56% of institutions have undergone these three results simultaneously.

| Benefits obtained by employees as a result of the projects | | |
|--|------|------|
| | 2019 | 2020 |
| Their services or capabilities have improved | 92% | 99% |
| They have improved their management systems | 34% | 33% |
| They have expanded the scope of their actions | 45% | 64% |
| They have expanded their ability to employ staff or volunteers | 9% | 3% |
| They have increased their recognition | 43% | 59% |

In the environment: The types and level of positive impacts on the environment and biodiversity were assessed in the 21 social development projects that addressed this issue. The highest impact occurred in projects for the regeneration of the environment in specific areas, as well as biodiversity conservation actions, with a special focus on endangered species. Likewise, the medium and high impacts have been maintained in the rest of the projects, both for the expansion of knowledge and educational and scientific dissemination, as well as for raising awareness on environmental issues, in relation to the previous year, despite the difficulty of carrying them out in 2020 due to lockdown.

| Estimation of the type and level of impacts of environmental and biodiversity projects | | | |
|--|---------------|------|------|
| | | 2019 | 2020 |
| Regeneration of the Environment and Biodiversity | High Impact | 71% | 80% |
| | Medium Impact | 19% | 15% |
| | Low Impact | 10% | 5% |
| Knowledge expansion and dissemination | High Impact | 62% | 40% |
| | Medium Impact | 33% | 60% |
| | Low Impact | 5% | 0% |
| Awareness on environmental issues | High Impact | 50% | 44% |
| | Medium Impact | 20% | 33% |
| | Low Impact | 30% | 22% |

5.1.3. Returns

They are the benefits that the company can receive from the management of social projects, beyond the social licence.

It has been estimated that there were 760 positive impacts on the company derived from the 311 social projects performed in 2020. Where these returns had the most impact is in the improvement of relations and perceptions of the stakeholders (40%) and, secondly, in the increase in brand recognition (36%). These coincide with the main two estimates in 2019.

| Estimate of returns for ENDESA from social development projects carried out | | | | | |
|---|-----------------------------|------|------------|------|------------|
| | | 2019 | Total 2019 | 2020 | Total 2020 |
| Generation of benefits in human resources | High incidence return | 29 | 14% | 43 | 8% |
| | Return of average incidence | 36 | | 16 | |
| | Low incidence return | 16 | | 4 | |
| Improved relationships and perceptions with stakeholders | High incidence return | 85 | 33% | 231 | 40% |
| | Return of average incidence | 87 | | 33 | |
| | Low incidence return | 27 | | 43 | |
| Generating business | High incidence return | 16 | 10% | 1 | 7% |
| | Return of average incidence | 12 | | 21 | |
| | Low incidence return | 30 | | 32 | |
| Provided operational improvements | High incidence return | 10 | 12% | 16 | 8% |
| | Return of average incidence | 34 | | 32 | |
| | Low incidence return | 25 | | 11 | |
| Generated an increase in brand recognition | High incidence return | 62 | 31% | 154 | 36% |
| | Return of average incidence | 58 | | 56 | |
| | Low incidence return | 68 | | 67 | |

SUPPLY CHAIN



| | Line of action | 2020 Objective | 2020 Profit/Loss | Key actions |
|--------------|---|----------------|------------------|---|
| Supply chain | Purchases made from qualified suppliers (% volume purchases) | 80% | 91% | In 2020 ENDESA developed a library of social, environmental, ethical and occupational safety indicators, to measure the performance of suppliers adapted to the nature of the product or service requested. |
| | % of qualifications made to suppliers in which human rights aspects are verified | 100% | 100% | |
| | % of qualifications made to suppliers in which environmental aspects are verified | 100% | 100% | |
| | % of qualifications made to suppliers in which environmental aspects are verified | 100% | 100% | |
| | Supplier performance evaluation (% purchase volume) | 40% | 75% | |
| | Contractors evaluated for social, ethical and environmental aspects | 15% | 8.8% | During 2020, 1,614 indicators related to sustainability were incorporated into the supplier evaluation processes. |

1. RESPONSIBLE MANAGEMENT OF THE SUPPLY CHAIN

102-9/102-10/414-1

1.1. 2020 results

In 2020, ENDESA worked with 4,867 suppliers, including suppliers subject to delegated purchasing.

The amount of purchases from suppliers decreased 10% compared with the 2019 figure, down to a total of 2.176 billion euros.

| Number of ENDESA suppliers | | | | | | |
|----------------------------|---------------------|-------|-------|---|-------|-------|
| | Number of suppliers | | | Value of purchases from suppliers (millions of euros) | | |
| | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 |
| Spain and Portugal | 5,210 | 6,115 | 4,867 | 2,646 | 2,427 | 2,176 |

| Value of purchases from ENDESA's main suppliers in 2020 | | | | |
|---|---|---|---|---|
| | Value of purchases from the 15 largest suppliers (thousands of euros) | Value of purchases from the 15 largest suppliers (% of total) | Value of purchases from the 50 largest suppliers (thousands of euros) | Value of purchases from the 50 largest suppliers (% of total) |
| Spain and Portugal | 861,800 | 39.6% | 1,259,331 | 57.87% |

EU17

The number of days worked by contractors or subcontractors involved in construction, operation and maintenance activities in 2020 was 3,773,503, a decrease of 11.22% compared with 2019.

403-9/102-8

The total number of hours worked by contractors in 2020 was 34,003,191.

1.2. Commitment to local communities

102-9/204-1

ENDESA's activity in the countries and territories in which it operates is geared towards creating value for local suppliers. In line with the commitment to them, 87% of the budget used (Euros 1,852 million) was dedicated to these suppliers, understanding as such those established in Spain and Portugal. In 2020, 1.615 billion contracts for amounts greater than 1 million euros were awarded to local suppliers.

As far as contracts related to maintenance services in the Production Centres are concerned, specific contractual clauses are included, whereby the contractor commits to employing technicians and workers from the local area, pursuant to current laws and the provisions of the competent authorities, in addition to the strictly necessary transfer personnel and in compliance with the required specialisations.

| Purchases from local suppliers ¹ with contracts over Euros 1 million | | | | | | | | |
|---|------|------|--|-------|-------|--|------|------|
| Number of suppliers | | | Value of purchases from local suppliers with a contract greater than Euros 1 million (millions of euros) | | | % of total purchases made from local suppliers with contracts over 1 million euros | | |
| 2018 | 2019 | 2020 | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 |
| 336 | 272 | 230 | 1,974 | 1,631 | 1,615 | 74 | 67 | 74 |

Local suppliers are suppliers of materials, products and services located in the same geographic market in which the organisation operates (i.e. no international payment is made to the supplier).

In order to create value for local suppliers in the countries in which ENDESA is present, the percentage of purchases with contracts exceeding €1 million that were made to foreign suppliers stood at 13% in 2020.

| Number of foreign suppliers in each country over Euros 1 million | | | | | | | | |
|--|------|------|--|------|------|--|------|------|
| Number of suppliers | | | Value of purchases from foreign suppliers with contracts exceeding Euros 1 million (millions of euros) | | | % of purchases from foreign suppliers with contracts exceeding €1 million of total purchases | | |
| 2018 | 2019 | 2020 | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 |
| 51 | 44 | 40 | 399 | 406 | 238 | 15 | 17 | 13 |

1.3. The comprehensive purchasing process at ENDESA

103-1 Management Approach Acquisition Practices/103-2 Management Approach Acquisition Practices/103-3 Management Approach Acquisition Practices/102-9

All ENDESA contracts include specific clauses in their General Conditions regarding the commitment of other parties to human rights, the safety of people, the environment and corruption.

In order to promote responsible management in the supply chain, ENDESA has a comprehensive purchasing process, a process that begins with the planning of needs by the different Business Lines, and in which all suppliers have to be rated, not only the supplier to be contracted but also all those invited to the corresponding bidding process.

ENDESA also has a system to monitor the performance of its Suppliers (called Supplier Performance Management - Consequence Management) during the purchasing process and the creation and execution of the contract in order to manage the supplier and the contract in accordance with the established requirements.

Every month the data recorded is used to calculate six category indicators (Safety, Environment, Quality, Punctuality, Human Rights and Correction, Innovation and Collaboration) and a Supplier Performance Index (SPI) derived from the weighted average of the category indicators according to percentages that depend on the risk associated with the individual category in the group of products or services being evaluated.

Based on the score obtained, a consequence management process applicable to the supplier or the contract is initiated, which include, among others, actions aimed at promoting excellent behaviour.

102-9



1.4. Sustainability requirements in contracting

103-1 Child labour management approach/103-2 Child labour management approach/103-3 Child labour management approach/103-1 Forced or compulsory labour management approach/103-2 Forced or compulsory labour management approach/103-3 Forced or compulsory labour management approach/103-1 Management approach social evaluation of suppliers/103-2 Management approach social evaluation of suppliers/103-3 Management approach social evaluation of suppliers/414-1/103-1 Management approach environmental assessment of suppliers/103-2 Management approach environmental assessment of suppliers/103-3 Management approach environmental assessment of suppliers/308-1/408-1/409-1/412-3

All ENDESA contracts include specific clauses on the protection of human rights, based on the Seventh Edition of the ENEL Group Global General Conditions of Contract (GCC), which apply to 100% of the company's contracts. Through these contractual clauses, the company requires its contractors, suppliers and subcontractors to respect and protect internationally recognised human rights and respect ethical and social obligations in terms of: protection of child and women's labour, equal treatment, prohibition of discrimination, freedom of association, association and representation, forced labour, health, safety and environmental protection, sanitary conditions and regulatory, remunerative, contributory, insurance and tax conditions. Suppliers must also commit to adopt and implement the Ten Principles of the Global Compact, ensuring that they are satisfied in the performance of all activities carried out by their employees and subcontractors. Suppliers must also commit to comply with the principles contained in ENDESA's Code of Ethics or, where not possible, be guided by principles equivalent to ENDESA's in the management of their business.

In addition, they must apply International Labour Organisation agreements or the legislation in force in the country in which the activities are to be carried out if these are more restrictive.

In this context, ENDESA reserves the right to carry out any control and monitoring activity aimed at verifying compliance with the above obligations, both by the contractor and by the subcontractors or persons designated thereby for the performance of the contract, immediately terminating the contract in the event of proven breaches of the aforementioned obligations (with special attention to violations of the principles of the Global Compact and any breach of human rights, including indirect breach).

Finally, it should be noted that ENDESA also promotes sustainability among its suppliers through confirming lines, linking the invoice advance operation through financial entities with sustainability criteria, offering a discount to suppliers that demonstrate better environmental practices.

2. SUPPLIER QUALIFICATION

414-1/ 409-1/412-1/308-1

ENDESA has established a supplier qualification system that allows for a careful selection and assessment of the companies that wish to participate in bidding procedures through the evaluation of the technical, economic, financial, legal, environmental, security and human rights requirements and ethical and trustworthiness requirements in order to guarantee a suitable level of quality and reliability when awarding energy sector contracts.

Before starting a relationship with other parties in the field of trading or project development, ENDESA verifies the trustworthiness thereof through a Counterparty Check (KYC-Know Your Customer) procedure, admitting only those whose standards are in line with those of the Company.

The rating process works through the use of Merchandise Groups: each supplier is rated in relation to one or more specific such groups, with the qualification assigned to the supplier only when it meets all the requirements defined for each group. These requirements vary according to the specific implications and risks associated with each group, for example, for a group of environmental products ISO14001 certification is generally required, while for works-related groups, ISO 45001 management system certification is needed.

In 2020, ENDESA, as part of the ENEL Group, benefited from in-depth analysis of the product group tree carried out worldwide, involving global procurement, business units (H&S, Environmental Manager, Sustainability) through a mapping of the activities included in each group and assigning a risk level for each argument (security, environment, human rights, expenditure, non-replaceable supplier etc.) After the aforementioned risk assessment, each group will be classified into different families associated with the related risk as assessed.

All groups have been categorised into three types according to the risk inherent to each (reputation, safety and health, environmental and technical). The three categories are Advanced, Standard and Fast Track. Within the different Merchandise Groups, some have been identified as “High Risk” based on pre-established criteria.

The qualification system, which is governed by internal procedure OP 162, was created in accordance with local and EU laws and regulations.

The process requires the presentation of a series of documents (self-certification on the possession of general requirements, financial statements, certifications etc.) and, among other things, adherence to the principles expressed by the Code of Ethics, the Zero Tolerance with Corruption Plan, Human Rights Policy and the Global Compact, with specific reference to the absence of actual or potential conflict of interest.

Contractors who are already included in ENDESA's Register of Qualified Suppliers are constantly monitored – including through external databases – regarding events related to the company itself and its main exponents.

By the end of 2020, the Supplier Qualification System had been implemented in 577 purchasing families, 241 global families (international qualification), and 336 local families throughout ENDESA. In 2020, 189 new contractors were recognised whose sum of contracts exceeds the amount of €1.5 million (172 local and 17 foreign). Additionally, in 2020 aspects of integrity, corruption and bribery were verified through the Thomson Reuters external service World Check One to 1,495 suppliers.

414-1/ 412-2

Within the process of qualification of suppliers of local families of ENDESA, during 2020 a total of 934 suppliers were analysed in the field of human rights (by analysing a questionnaire provided for this purpose in the qualification circuit), of which 137 were significant.

Sustainability in the supply chain

ENDESA's objective is to select the best contractors in terms of health and safety, the environment and human rights. To this end, in September 2016, the group's Global Procurement adopted a "Global Assessment Model for Sustainability Requirements", identifying the sustainability risk factors in the supply chain through the mapping of the risk level of the various Groups of Merchandise. This is a precisely defined operating model that will be applied globally to assess the possession of sustainability requirements by contractors for works, services and supplies who wish to qualify for registration or renew their qualification. This Operation Note provides several control categories: Safety and Health, Environment, Human Rights. All these topics refer to quality standards, such as the possession of the ISO 45001 or ISO 14001 certification.

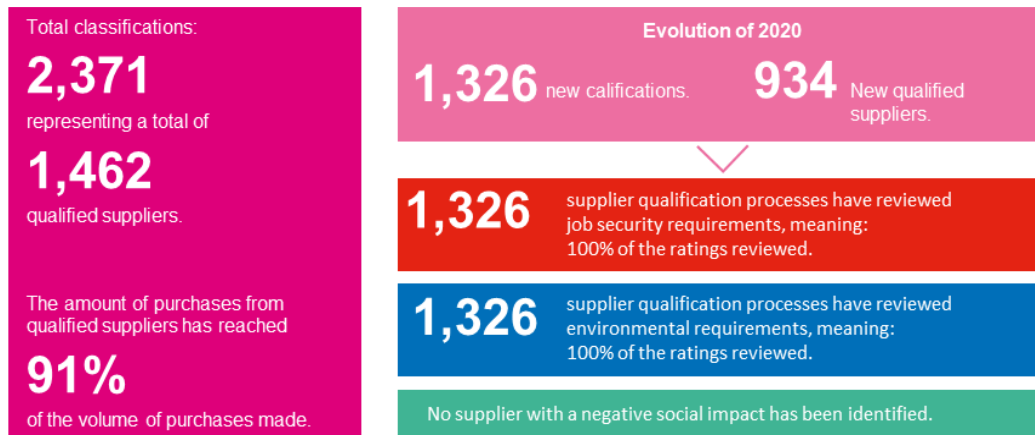
Therefore, in order to access ENDESA's supplier registry as part of the qualification process, the supplier has to undergo a specific and mandatory assessment of environmental, health and safety and human rights requirements. In practice, the supplier is required to fill out questionnaires and submit the appropriate supporting documentation for evaluation. In the case of activities considered to be of high safety or environmental risk, an on-site audit is planned to verify such aspects.

Only with a positive general judgement can the supplier qualify for the Suppliers Registry (or continue to be so where previously qualified) and may be taken into account to participate in the Group's purchasing procedures.

The evaluation of the aforementioned individual sustainability, human rights, health and safety and environmental requirements contributes to the general evaluation of the admission or non-admission of said company to the ENDESA rating system.

In the event of non-admission, for example in the case of a negative environmental assessment, the supplier may submit a new request for qualification, providing the evidence of the Improvement Plan adopted.

Growth of the supplier qualification system



In order to promote continuous improvement to responsible management of the supply chain, ENDESA has reviewed and improved the sustainability requirements established in the supplier qualification process. In this way, the requirements for occupational safety, the environment and integrity have been updated, with the implementation of a new human rights-related requirement.

Within this new context, ENDESA has set the following objectives for its ENDESA Sustainability Plan 2021-2023, relating to the verification of sustainability criteria in the supplier qualification system pursuant to the new system:

| Supplier qualification system objectives | | |
|--|------|-------|
| | 2021 | 2023 |
| Human rights | 100% | 100 % |
| Occupational safety | 100% | 100% |
| Environment | 100% | 100% |

Note: Objectives established according to the new ENEL Group system for the verification of sustainability aspects in the supplier qualification process.

Within the process of evaluating sustainability requirements, it is planned to carry out in-depth audits which may include site visits to verify compliance with the requirements needed to work with ENDESA.

This process is complemented by the Supplier Performance Management system, aimed at monitoring the performance of suppliers during the service provision period. The score obtained in this process can serve as an incentive for future tenders and to maintain contractual relationships.

For more information: <https://globalprocurement.enel.com/es.html>

414-1/414-2/308-1/308-2

| Supplier evaluation according to criteria | | |
|--|---------------|--------|
| | Environmental | Social |
| % new suppliers assessed | 100% | 100% |
| Number of suppliers assessed | 934 | 934 |
| Number of suppliers identified with negative impact | 10 | 0 |
| % of suppliers with negative impacts with which improvement measures have been agreed as a result of an assessment | 1.1% | 0% |
| % of suppliers with negative impacts with which the relationship has ended as a result of the assessment | 0% | 0% |

2.1. Supplier selection, the K for sustainability

414-1/ 409-1/412-1

In addition to the foregoing, with reference to the supplier qualification process and in view of the importance of extending its commitment to supply chain sustainability, in 2018 ENDESA began to apply sustainability criteria to product and service tenders. In 2020 it strengthened the use of a library of social, environmental, ethical and occupational safety indicators, from which those most adjusted to the nature of the product or service provided are selected for each tender, with the performance of potential suppliers with respect to those indicators taken into account and assessed together with the economic and technical proposal.

Furthermore, in 2020 ENDESA incorporated a total of 1,614 indicators or KPIs related to sustainability (certifications, health and safety, social aspects, circular economy, environment), affecting a total of 489 contracts and an approximate amount of Euros 538 million (66% of the amount contracted). These indicators show different commitments that suppliers acquire when contracting with ENDESA.

Periodically, and in particular over the past two years, meetings have been organised with contractors on sustainability issues, with a number of workshops held with over 700 suppliers.

In addition, on an annual basis and as part of the group's Sustainability Plan, ENDESA includes specific objectives in the supply chain. For example: "Integration, strengthening and homogenisation of environmental, security and human rights issues in supplier qualification and performance evaluation processes", "Promotion of information activities with suppliers", and "Development of projects in line with the principles of Circular Economy", in order to have a "Zero waste" approach in the latter case and extend it successively to business activities.

3. ESG MANAGEMENT OF THE SUPPLY CHAIN

3.1. Integrity and the fight against corruption

103-1 Social evaluation of suppliers/103-2 Social evaluation of suppliers/103-3 Social evaluation of suppliers/414-2

ENDESA adheres to the Global Compact and, in compliance with its tenth principle, intends to continue its commitment to fight corruption in all its forms. It therefore prohibits the use of any illicit, monetary or other intention, offer or request for payment in order to obtain an advantage in relations with interested parties and this prohibition extends to all its employees. The Contractor declares to recognise the commitments assumed by ENDESA and undertakes not to make use of any offer or request for illegal payments in the execution of the contract in the interest of ENDESA and/or for the benefit of its employees.

In the event of any breach of these obligations, the company reserves the right to terminate the contract and request compensation from the contractor.

Contractual commitments are also envisaged for ENDESA contractors, suppliers and subcontractors aimed at implementing behaviour contrary to any form of corruption and extortion and implementing preventive behaviour so as not to harm the environment, encouraging initiatives that promote greater environmental responsibility and the development and dissemination of environmentally friendly technologies.

3.2. Respect for Human Rights

414-1/412-1/412-3

ENDESA evaluates, selects and monitors each supplier from a human rights point of view, both in the qualification phase and in the bidding phase, and in the contractual standards "General contracting conditions of the ENEL Group" based on:

- Voluntary commitment to the 10 Principles of the Global Compact, the implementation of the ENEL Code of Ethics, the Organisation Model, the Zero Tolerance of Corruption Plan and the Human Rights Policy.
- The existence or not of crimes against individual persons, such as the reduction or maintenance of slavery or servitude, child prostitution, the use of children in pornography, the possession of child pornography, tourism initiatives aimed at exploiting child prostitution, human trafficking and the sale and purchase of slaves.

All these contracts include human rights clauses, related to the Global Compact and Ethical Regulations (Clauses 26 and 27), which reflect the supplier's commitment to comply with the principles of the Global Compact, which includes those related to Human Rights, as well as the commitment to comply with legal regulations regarding the protection of child labour and women, equal opportunities, the prohibition of discrimination, abuse and harassment, freedom of association and representation, forced labour, safety and environmental protection and sanitary hygienic conditions. In the same way, the commitment to compliance with current legislation on wages, pensions and social security contributions, insurance, taxes, etc., is extended in relation to all workers employed for any purpose for the execution of the Contract.

With this criterion and based on contractual clauses, 100% of the operations will be subject to a human rights impact review or assessment.

| Contracts for the supply of materials and services that include human rights clauses | | | | | | |
|--|---|------|------|---|------|------|
| | Significant contracts* that include clauses on human rights (No.) | | | Significant contracts* that include clauses on human rights (%) | | |
| | 2018 | 2019 | 2020 | 2018 | 2019 | 2020 |
| Spain and Portugal | 248 | 223 | 303 | 100% | 100% | 100% |

*Contracts over one million euros are considered significant

In 2020, coverage of specific human rights assessment criteria in the field of human rights within the supplier qualification processes stood at 100%, in line with the target of 100% for the year. From the evaluation of the specific human rights questionnaires during the qualification process, no significant negative impacts or complaints were detected and therefore no measures had to be taken.

In order to measure the degree of the company's maturity relation to the ethical principles related to the respect of human rights and the prohibition of child or forced labour, ENDESA examines the performance and the organisational and management quality of the company, pursuant to the guidelines issued by supranational organisations such as the UN Global Compact and Children's Rights and Business Principles.

Within the process of evaluating human rights requirements, after the analysis of the documents the need could arise to carry out an in-depth audit, whether limited to documentation or including a visit to the suppliers' facilities.

In 2020, a total of 1,326 human rights evaluations were carried out on supplier qualification files (local and global, with scope of application in Spain).

3.3. Environmental management

103-1 Management approach environmental assessment of suppliers, 103-2 Management approach environmental assessment of suppliers, 103-3 Management approach environmental assessment of suppliers/ 308-1/308-2//103-1 Management approach environmental assessment of suppliers/103-2 Management approach environmental assessment of suppliers/103-3 Management approach environmental assessment of suppliers

In the General Conditions of Contract (GCC) of the Group's contractual regulations, there are clauses that require compliance with environmental regulations. For example, Article 12.3 establishes that "In addition, the Contractor must have a thorough knowledge of current legislation concerning health, safety at work and the environment and the activity to be carried out and the relative documentation that will be presented to ENDESA in compliance with the law and business regulations." In addition, Article 24 (Protection of the Environment) of the aforementioned GCC establishes that "The Contractor undertakes to adopt the appropriate measures to guarantee compliance with its environmental obligations under applicable law".

To guarantee compliance with environmental requirements and constantly monitor the status of compliance with its obligations, ENDESA reserves the right to carry out monitoring activities of its contractors and to terminate the contract in the event of violations. Thanks to these procedures, shared improvement actions are defined with a collaborative and non-sanctioning objective. In addition, in some purchasing procedures, a recognition coefficient can be assigned using a "K" technical sustainability factor, rewarding environmental aspects – for example, carbon footprint, limitation in the use of SF6 gas, etc.

Within the context of the qualification process, ENDESA has also introduced a specific and mandatory evaluation of environmental requirements for access to the Suppliers Registry that is added to the usual economic-financial, legal and technical obligations, as well as those relating to occupational safety and human rights. In addition, through the Supplier Qualification System and field verification activities, the supplier is also constantly monitored with regard to compliance with environmental requirements.

The process used to assess the resources and possible environmental risks of an ENDESA contractor company are described in the specific operating note. In particular, the ENDESA contractor has to complete a questionnaire indicating the certifications and the environmental management systems it has provided, as well as other useful information regarding the assessment.

ENDESA evaluates whether the contracting companies have the requested environmental requirements, examining the performance and organisational quality and management of the companies in terms of Environmental Responsibility, based on various information and documents sent by the company, including a possible visit to the facilities for an on-site assessment.

The environmental assessment criteria differ according to the product category. Each group of goods has been assigned a low, medium or high risk level. For high environmental risk groups, the ISO 14001 certification or equivalent is always required. In addition, an audit in the field and at the contractor's offices is scheduled for these product categories.

In both visits, the company will be evaluated on the main areas of attention with regard to environmental matters:

- Organisational structure and management system
- Risk assessment
- Training management
- Control of machinery and work equipment

- Emergency plans

ENDESA only grants the Supplier Qualification as registered in the Qualified Companies Register to contractors who have also passed the Environmental Requirements assessment.

During 2020, environmental evaluations were carried out on a total of 1,326 supplier qualification files (local and global with the scope of Spain), which is more than 7 times the number of evaluations carried out in 2019 in this area.

In terms of qualified suppliers, this implies a level of compliance of 100% of verified suppliers in environmental matters out of the total of those qualified, reaching the target of 100%.

3.4. Occupational health & safety

414-1

ENDESA's objective is to minimise accidents at work, respecting the Environment and Human Rights. For this, it has several instruments available.

These include improvement plans – whenever ENDESA observes any critical problem in the conduct of a contractor, a shared improvement plan is defined which seeks to improve management and performance systems and remedy deficiencies in line with ENDESA's requirements.

Work accidents in recent years have decreased significantly thanks to the numerous initiatives undertaken by ENDESA aimed at raising awareness among contractors on these issues.

The Group has also adopted an Operating Instruction on repeated breaches of occupational safety and purchasing processes, which specifically regulate the way in which accidents or incidents (near misses) are assessed and the limits to be placed on the allocation of new contracts after these events.

In particular, by virtue of this operating instruction, ENDESA monitors the safety-related performance of its contractors or of the personnel employed (for example, subcontractors) during the execution of the contract.

More generally, in all cases where a critical occupational safety event is detected, for example, a serious violation or if a fatal accident occurs, ENDESA will evaluate the corrective actions to be taken with the corresponding contractor. In addition to the provisions set forth in the ENDESA General Conditions of Contract and/or the existing contract, after a careful analysis of the specific case and the responsibilities of the supplier, the Qualification Commission can:

- Suspension of qualification, in the case of a qualified supplier
- Issue of a Critical Note, in the case of an unqualified supplier or a supplier in the registration phase

Additionally, within the supplier qualification process and as part of the valuation of sustainability requirements in terms of security, the following 4 parameters are evaluated in order to measure the overall performance of the company in the last three years:

- Average Frequency Index over the past three years:
- Average Severity Index over the past three years:
- The Mortality Index – the number of fatal accidents affecting the supplier and its contractors during the execution of a contract with the company in the last three years.
- If available, the last value and development of the Security category of the Vendor Rating Index relative to the Product Group subject to qualification.

The values obtained for each of the four indicators are compared with the specific thresholds pre-defined by ENDESA and depending on the deviation of these values from the thresholds, the supplier receives a rating that means they can continue the qualification process or have to abandon it. Each year, limit values are defined, appropriate to the country in which the company applies to be qualified and the specific activity that is the subject of the qualification request.

Within the process of evaluating security requirements and after analysis of the documents, the need could arise to carry out an in-depth audit made up of two parts: a visit to the company's facilities (hereafter "Office visit" below) and one to a site (for the product groups that require activities at the work site and carried out by ENDESA or by third parties) where the company is undertaking the activities at the time of the technical evaluation (Site visit).

414-1

In 2020, a total of 1,326 environmental evaluations were carried out on supplier qualification files (local and global, with scope of application in Spain).

In terms of qualified suppliers, this implies a level of compliance of 100% of verified suppliers in workplace health and safety matters out of the total of those qualified, reaching the target of 100%.

4. RESPONSIBLE MANAGEMENT OF THE COAL SUPPLY CHAIN (BETTERCOAL)

4.1. Control of the coal supply chain

ENDESA has a process for the selection of suppliers of coal called Know Your Customer, whereby it assesses, for each counterparty, reputational and economic-financial aspects and the possession of the appropriate commercial technical requirements. In addition, the provider's non-membership of specific "blacklists" of the United Nations, the European Union and the Office of Foreign Assets Control (OFAC) of the United States is verified. These are nominative lists that identify individuals or organisations associated with terrorist activities, organisations subject to economic sanctions by the EU and organisations called SDN (Specially Designated Nationals) subject to sanctions by the United States for accusations, including terrorism and drug trafficking.

Additionally, ENDESA assesses sustainability aspects of potential suppliers, including of coal, through verifications in matters of workplace safety, the environment and human rights, in order to ensure that the supplier complies with the standards of ENDESA and the ENEL Group. If additional checks are deemed necessary, they can be the subject of site visits, carried out directly by the company's experts. Finally, ENDESA's sustainability principles are applied to each supplier in the contracting phase, with the company reserving the right to terminate the contract in serious cases of non-compliance with these principles.

Lastly, to mitigate the risks arising from the transport of fuels by sea, the Company has a vetting system for the carriers used. The activity of vetting is an industrial standard recognised by oil carriers, but for some years, the Company and a growing set of operators have begun to apply this methodology also for the transport of solid masses.

4.2. Bettercoal

As part of the ENEL group and together with other major European electricity companies, ENDESA plays an active role in the Bettercoal initiative, a global initiative that promotes the continuous improvement of corporate responsibility among international coal suppliers. Bettercoal has published a code of conduct based on existing sustainability standards. It sets out in detail the guidelines that mining companies can follow to define their own social, environmental and ethical policy. The Bettercoal Code conveys to the suppliers the expectations of the members regarding their practices in relation to four macro categories: management, ethical commitment

and transparency, human and labour rights and environmental management, promoting continuous improvement.

In 2020, Bettercoal finalised a new version of the Code to align it with the latest best practices in sustainability and contribute positively to the achievement of the SDGs. In addition, a governance review was prepared with the aim of achieving a more inclusive organisation while still following a multi-stakeholder approach and involving the entire coal supply chain.

After signing a letter of commitment, suppliers adhering to the initiative begin a virtuous path represented by the insurance system, agreeing to undergo on-site verifications, carried out by independent third parties on the application of the principles listed in the Code and agreeing on a continuous improvement plan to overcome possible deficiencies.

Bettercoal has been gaining an increasingly prominent presence in forums related to the sustainability of coal and the supply chain, becoming an example of collaboration aimed at improving socially responsible practices in the supply chain. Furthermore, in 2020, Bettercoal's evaluations covered 400 Mt of coal production, two working groups specifically dedicated to Russia and Colombia continued their work, with clear and transparent work plans. Despite the fact that the global COVID-19 pandemic prevented the planned verifications from being carried out at the sites located in Russia, Colombia and the United States, in the course of the year 14 improvement plans were actively monitored, 25% of the planned actions being completed. Additionally, to promote greater transparency, three reports on the evaluations carried out at the sites were published and are publicly available on the Bettercoal website. Likewise, the first communication on the progress of the Global Compact and the annual report was published with the collaboration of an external NGO.

For further information please visit the website: www.bettercoal.org.

OCCUPATIONAL HEALTH & SAFETY



| | Line of action | 2020 Objective | 2020 Profit/Loss | Key actions |
|------------------------------|--|----------------|------------------|--|
| Occupational Health & Safety | Fatal accidents. | 0 | 1 | In 2020, safety inspections were carried out of works and/or projects by the company's own personnel and contractors, which contributed significantly to reducing workplace accidents. |
| | Combined accident frequency rate | 0.69 | 0.36 | |
| | Safety inspections at own & contractors' facilities. | 70,000 | 73,547 | |
| | ECoS carried out (extra checking on site). | 24 | 13 | |
| | Medical Examinations of employees. | 6,370 | 4,400 | |

1. ENDESA, A SAFE AND HEALTHY ENVIRONMENT

103-1 Management Approach EUSS Occupational Health and Safety/103-2 Management Approach EUSS Occupational Health and Safety/103-3 Management Approach EUSS Occupational Health and Safety/103-1 Management Approach Employment/103-2 Management Approach Employment/103-3 Management Approach Employment/103-1 Management Approach Employment EUSS/103-2 Management Approach Employment EUSS/103-3 Management Approach Employment EUSS

Occupational Health and Safety Policy

ENDESA considers Occupational Health and Safety a priority and a fundamental value to preserve at all times for all who work for the Company, without distinction between its own personnel and that of its partner companies.

403-2/403-7

This objective is integrated into ENDESA's strategy through the implementation of Occupational Health and Safety (OHS) policies in all the Group's companies and the implementation of specific work plans, emphasising not only the physical environment but also the emotional one and the promotion of safe and healthy habits.

To ensure that all operations are performed safely, ENDESA has implemented a company-wide safety inspection programme. Inspections are performed partly by the company's own personnel and partly through collaborating entities that have previously received training on ENDESA's work procedures and on actions or behaviours that we consider not to be acceptable from the standpoint of risk prevention.

To see the Health and Safety Policy and Work Conditions, consult the ENDESA website: <https://www.endesa.com/content/dam/endesa->

com/home/sostenibilidad/medioambiente/documentos/politica-salud-seguridad-condiciones-trabajo-05-20.pdf.

Occupational Health and Safety Management System

403-1/403-8

ENDESA's new Occupational Health & Safety Management System (OHSMS), conforming to ISO 45001, allows it to identify and collaborate in controlling its health and safety risks, reduce accidents, support in the control of compliance with laws and improve performance in general, promoting a safe and healthy environment.

The OHSMS is made up of the set of responsibilities, processes and resources available to carry out the management of the production process, achieving the objectives of the Health and Safety and Working Conditions Policy.

Hazard identification, risk assessment and incident investigation

403-2/403-8/103-1 Occupational Health and Safety Management Approach/103-2 Occupational Health and Safety Management Approach/103-3 Occupational Health and Safety Management Approach

Based on the procedures of its Management System, specifically, "ENDESA-SGSST-PG. 02 - Identification of hazards, evaluation and control of occupational risks" and "ENDESA-SGSST-PG.11 - Control and investigation of incidents, non-conformity and corrective action", hazards are identified, risks are assessed and incidents are investigated. Of the different procedures mentioned, it is worth highlighting:

Procedure PG.02 presents the following phases of the risk assessment and control process:

- Hazard identification.
- Elimination of risks.
- Risk Assessment.
- Actions subsequent to the risk assessment.
- Risk control.
- Risk Assessment Review.

Regarding PG. 11, it is important to note that the following will be investigated:

- All incidents that occur affecting the personnel of the companies that are members of ENDESA's Joint Prevention Service inside or outside its facilities, as well as to the contractor personnel who carry out work at the facilities of these joint companies or their customers.
- In the case of third party incidents, only those that occur at ENDESA's facilities or those caused by it will be investigated, as described in this procedure.
- Occupational diseases of own personnel.

Compliance with occupational health and safety objectives can be seen in the Commitment chapter, in section 3.2 ENDESA's non-financial results.

1.1. Common management of occupational health and safety

403-3

ENDESA offers all its employees, regardless of their risk level, health care through its basic health units. In this regard, it has also arranged with the collaborating social security mutual insurer to cover contingencies arising from workplace illnesses. ENDESA is also a self-insuring company in occupational accidents, collaborating directly with the public health system in the treatment of these contingencies.

1.2. Workplace risk prevention, training and inspections

403-1/403-2/403-5

During 2020, ENDESA provided a total of 59,186 hours of training in occupational health and safety for its own personnel. 5,755 people attended preventive training courses

In 2020, 73,547 safety inspections were made on works and/or related projects by the company's own personnel and contractors, which contributed significantly to reducing workplace accidents. The number of Safety Walks carried out in 2020 amounts to 386.

1.3. Promotion of a culture of health and safety at work

403-6

In addition to carrying out the usual health campaigns (including prevention against COVID-19), "safety walks", safety inspections and internal and external audits, a series of basic principles, information, preventive recommendations and awareness videos are disseminated. Knowing how to detect unsafe situations is a key aspect of ENDESA's culture and requires everybody's commitment and participation.

ENDESA began in 2019 to verify the effectiveness of its contractor companies in the area of Occupational Risk Prevention through the Contractor Assessment programme, in which 80 preventive aspects are assessed through a company specialised in Consulting and Auditing in Occupational Risk Prevention. Based on the score obtained, the company is qualified to be an ENDESA contractor or, on the contrary, an action plan is required to eliminate the aspects found. An action plan is established for the corrective measures until its achievement.

In 2020, 165 company evaluations were carried out.

During 2020, it is also worth highlighting the dissemination of safety slogans to our own personnel and contractors that are transmitted to the entire workforce and mentioned in all meetings, the awareness of risks to third parties, the design of training courses, signage in buildings, broadcasting of "lessons learned" and "best practices", as well as making videos about accidents.

In this regard, and with the motto "SHARE YOUR SAFETY", this initiative continues, with a special focus, as well as the seasonal campaigns, on behaviours and healthy habits that can favour the prevention of risks to oneself and to others. With this initiative, the company seeks to solidify knowledge already offered to employees, but to do so in a more current way and in a digital environment.

403-6

ENDESA's medical services manage health promotion, prevention and surveillance in accordance with the company's health model, coordinating both the activities of its own personnel and those of contracted external Prevention Services. They are also responsible for medical leave and assisting those who have an accident at work or suffer from an occupational disease. They also monitor the appropriate plans for the control and reduction of common contingencies, emerging diseases and professional contingencies.

Medical services manage occupational health comprehensively, concerned not only with the physical environment, but also the psychosocial, emotional and healthy habits of people, both in their professional and personal lives. To make the goal of achieving comprehensive health a reality, we start with 3 basic pillars of prevention:

- Primary prevention, focused on the prevention of illness or accident before it occurs. This is achieved by avoiding exposure to risks that may cause damage to health and by correcting unhealthy behaviours or lifestyles.
- Secondary prevention, focused on reducing the impact of disease or injury once they appear. This is done through early diagnosis and treatment, preventing relapses and implementing return-to-work programmes.
- Tertiary prevention, mainly aimed at reducing the impact of diseases in their latest stages to try to improve quality of life.

1.4. Occupational health and safety committees

403-4

The participation of the company and its workers, through their union representatives, in the planning, programming, organisation and management control related to the improvement of working conditions and the protection of health and safety of workers, is a basic principle of prevention policy in the company and is considered an important lever for improvement.

In the preventive action, consultation and participation with unions is based on a series of pillars that encourage it, such as the degree of maturity in the management of risk prevention (effective management procedures), trust and credibility in occupational health and safety policy and in prevention technicians, the vision of prevention as a process in which all the company's stakeholders contribute their knowledge and experience, as well as transparency and prior information.

The consultation and participation of workers, in matters of Occupational Health and Safety within the scope of the ENDESA Group, is carried out through the Prevention Delegates integrated into the following bodies:

- Committee on Participation in Planning and Control of Preventive Activity Management.
- Generation Occupational Health and Safety Committee.
- Thermal Power Plants/Combined Cycles Occupational Health and Safety Committees.
- Renewables/North/South/Central-Northwest Occupational Health and Safety Committees.
- Distribution Occupational Health and Safety Committee.
- Divisional/Control Centres and Corporate Distribution Units Occupational Health and Safety Committees.
- Commercial Occupational Health and Safety Committee.
- ENDESA Energía/EOSC/ENDESA X Servicios Occupational Health and Safety Committees.
- ENDESA SA Occupational Health and Safety Committee
- ENEL Iberia Occupational Health and Safety Committee

- ENDESA Medios y Sistemas Occupational Health and Safety Committee.
- Transversal Occupational Health and Safety Committees: North/ South/Central Northwest.

The competences, powers and operating regime of the Commission for Participation in the Planning and Control of the Management of Preventive Activity are those set out in its deed of incorporation of 2 April 1998, amended as regards the composition of the social representation, as provided for in this Agreement, Article 105, and which are otherwise specified in its Internal Operating Regulations.

The Occupational Health and Safety committees are joint and collegiate bodies for participation in occupational health and safety in each organisational area and are made up of members from the Management Representation and the Social Representation.

During a good part of 2020, the Health and Safety committees were governed by their regulations, derived from the 5th ENDESA Framework Agreement, which establishes 7 ordinary meetings for the regional committees, thermal power plants and single buildings and 3 for the autonomous ones. At present, a new regulation is being negotiated and new committees are being set up in accordance with the 5th Framework Agreement.

1.5. Reduction in accident rate

403-9/403-10

| | Number of accidents at work ¹ | | | Frequency rate ² | | | Severity rate ³ | | |
|--------------------|--|-------|-----------|-----------------------------|------|--------|----------------------------|------|---------|
| | 2019 | 2020 | Dif | 2019 | 2020 | Dif | 2019 | 2020 | Dif |
| Spain and Portugal | 35.98 | 18.41 | - 48.8 % | 0.68 | 0.36 | 47.05% | 0.06 | 0.06 | - |
| Own | 6 | 2.85 | - 52.5 % | 0.37 | 0.18 | 51.35% | 0.03 | 0.08 | 166.66% |
| Contractors | 29.98 | 15.56 | - 48.09 % | 0.82 | 0.44 | 46.34% | 0.08 | 0.06 | -25% |

¹Includes fatal accidents.

²Total number of accidents, excluding on the way to or from work, with respect to the total hours worked, multiplied by 1,000,000.

³Total number of days lost due to accident, excluding on the way to or from work, with respect to the total hours worked multiplied by 1,000. The data do not include Enel Iberia or the ENDESA Foundation. In addition, they take into account the percentage interest in ANA (85.41%).

| Number of accidents at work ¹ | | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2018 | | | 2019 | | | 2020 | | |
| | Men | Women | Total | Men | Women | Total | Men | Women | Total |
| Spain and Portugal | 36,27 | 3 | 39,27 | 34,98 | 1 | 35,98 | 16,56 | 1,85 | 18,41 |
| Own | 4,85 | 1 | 5,85 | 6 | 0 | 6 | 2 | 0,85 | 2,85 |
| Contractors | 31,42 | 2 | 33,42 | 28,98 | 1 | 29,98 | 14,56 | 1 | 15,56 |

¹Includes fatal accidents.

| Frequency rate ² | | | | | | | | | |
|-----------------------------|------|-------|-------|------|-------|-------|------|-------|-------|
| | 2018 | | | 2019 | | | 2020 | | |
| | Men | Women | Total | Men | Women | Total | Men | Women | Total |
| Spain and Portugal | 0,87 | 0,24 | 0,72 | 0,86 | 0,08 | 0,68 | 0,42 | 0,15 | 0,36 |
| Own | 0,4 | 0,27 | 0,37 | 0,48 | 0 | 0,37 | 0,16 | 0,22 | 0,18 |
| Contractors | 1,06 | 0,22 | 0,87 | 1,03 | 0,12 | 0,82 | 0,54 | 0,12 | 0,44 |

²Total number of accidents, excluding on the way to or from work, with respect to the total hours worked, multiplied by 1,000,000.

| Severity rate ³ | | | | | | | | | |
|----------------------------|------|-------|-------|------|-------|-------|------|-------|-------|
| | 2018 | | | 2019 | | | 2020 | | |
| | Men | Women | Total | Men | Women | Total | Men | Women | Total |
| Spain and Portugal | 0.07 | 0.01 | 0.06 | 0.08 | 0.01 | 0.06 | 0.08 | 0.02 | 0.06 |
| Own | 0.03 | 0.01 | 0.03 | 0.03 | 0 | 0.03 | 0.09 | 0.05 | 0.08 |
| Contractors | 0.09 | 0.01 | 0.07 | 0.1 | 0.01 | 0.08 | 0.07 | 0 | 0.06 |

³ Total number of days lost due to accident, excluding on the way to or from work, with respect to the total hours worked multiplied by 1,000.

During 2020 no occupational disease declared in ENDESA was detected.

| | Fatal accidents | | | Serious accidents | | | No. of non-serious accidents ¹ | | |
|-------------|-----------------|------|-------|-------------------|------|------|---|-------|---------|
| | 2019 | 2020 | Dif | 2019 | 2020 | Dif | 2019 | 2020 | Dif |
| Combined | 1 | 1 | 0% | 2 | 4 | 100% | 32.98 | 13.41 | -59.3 % |
| Own | 1 | 0 | -100% | 0 | 1 | 100% | 5 | 1.85 | -63 % |
| Contractors | 0 | 1 | 100% | 2 | 3 | 50% | 27.98 | 11.56 | -58.6 % |

¹ Includes accidents with sick leave of 2 to 30 days.

| No. of fatal accidents | | | | | | | | | |
|------------------------|------|-------|-------|------|-------|-------|------|-------|-------|
| | 2018 | | | 2019 | | | 2020 | | |
| | Men | Women | Total | Men | Women | Total | Men | Women | Total |
| Spain and Portugal | 0 | 0 | 0 | 1 | 0 | 1 | 1 | 0 | 1 |
| Own | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 0 |
| Contractors | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 |

| No. of serious accidents | | | | | | | | | |
|--------------------------|------|-------|-------|------|-------|-------|------|-------|-------|
| | 2018 | | | 2019 | | | 2020 | | |
| | Men | Women | Total | Men | Women | Total | Men | Women | Total |
| Spain and Portugal | 2 | 0 | 2 | 2 | 0 | 2 | 4 | 0 | 4 |
| Own | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 |
| Contractors | 2 | 0 | 2 | 2 | 0 | 2 | 3 | 0 | 3 |

| No. of non-serious accidents ¹ | | | | | | | | | |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2018 | | | 2019 | | | 2020 | | |
| | Men | Women | Total | Men | Women | Total | Men | Women | Total |
| Spain and Portugal | 34.27 | 3 | 37.27 | 31.98 | 1 | 32.98 | 11.56 | 1.85 | 13.41 |
| Own | 4.85 | 1 | 5.85 | 5 | 0 | 5 | 1 | 0.85 | 1.85 |
| Contractors | 29.42 | 2 | 31.42 | 26.98 | 1 | 27.98 | 10.56 | 1 | 11.56 |

| Absenteeism ¹ | | | |
|---------------------------------|------|------|------|
| | 2018 | 2019 | 2020 |
| Absenteeism rate ^{2 3} | 2.69 | 3.08 | 2.57 |

| Absenteeism ¹ | | | |
|--|-----------|-----------|-----------|
| | 2018 | 2019 | 2020 |
| ENDESA employees lost days due to absence during the year ² | 50,485 | 66,662 | 55,647 |
| Number of hours of absenteeism ² | 2,220,379 | 1,849,043 | 2,036,835 |

¹This Absenteeism Index does not include jointly controlled companies consolidated proportionally.

² Hours lost due to absence do not include vacations, holidays, or authorised absences for family reasons (maternity leave, paternity leave, etc.), or absence due to training.

³Total number of working days lost due to absence during the year with respect to the total number of days worked by the group during the same period, multiplied by 200,000 (this factor corresponds to 50 working weeks of 40 hours per 100 workers).

The absenteeism rate decreased compared with 2019 by 16.56%. This reduction is fundamentally motivated by teleworking that was implemented since March due to COVID-19. With this measure, journeys were reduced and as a consequence, commuting accidents decreased by 76% compared with 2019.

| Death rate | | |
|-------------|------|------|
| | 2019 | 2020 |
| Employees | 0.06 | 0 |
| Contractors | 0 | 0.03 |

| Serious accident rate, excluding fatal accidents | | |
|--|------|------|
| | 2019 | 2020 |
| Employees | 0 | 0.06 |
| Contractors | 0.05 | 0.09 |

2. EXTENDING HEALTH AND SAFETY TO COLLABORATING COMPANIES

ENDESA transmits the following commitments with the aim of extending Occupational Health and Safety among its collaborating companies:

- Rating of safety technical requirements for activities with risk.
- Promoting current certifications for these activities.
- Comprehensive commitment to Occupational Health and Safety management and information in General Contract Conditions.

Contractors are examined before the contracting process and during the contractual activity, with the possible application of an administrative and/or economic sanction in the event of non-compliance with safety regulations or having suffered a significant incident.

The set of regulations in force establishes a framework of action that the contractor must comply with prior to carrying out the works and in particular the obligatory nature of the elaboration of a Specific Prevention Plan for the contracted works.-Likewise, follow-up and control actions will be carried out during the works (*in vigilando*). In addition, each accident is analysed in a Committee made up of experts from the Prevention Service, the unit in which it occurred, and Supplies, establishing corrective measures to prevent another similar situation from occurring.

For their part, the General Contract Conditions require the contracting company to provide specific training for workers in matters of health and safety, depending on the risks posed by the contracted activity.

Prior to the start of the work activity, it is verified that all workers have training and information on the prevention of the occupational risks linked to the activity to be carried out. In addition, it is ensured that they are medically fit to carry out the work and that they have acknowledged receipt

of the Personal Protective Equipment suitable for the activity. ENDESA considers that field control is essential to verify that safety conditions are met and to monitor and correct safety defects in the execution of the work.

2.1. Risk activities control programme

403-8

ENDESA's new OHSMS, conforming to ISO 45001, allows it to identify and collaborate in controlling its health and safety risks, reduce accidents, support in the control of compliance with laws and improve performance in general, promoting a safe and healthy environment. The OHSMS is made up of the set of responsibilities, processes and resources available to carry out the management of the production process, achieving the objectives of the Health and Safety and Working Conditions Policy.

100% of ENDESA's workforce in Spain and Portugal work in ISO 45001-certified workplaces

ENDESA continues to carry out various annual initiatives in its long-term strategy of continuous improvement of Occupational Health and Safety. The activities carried out within the framework of this strategy have focused mainly on specific action plans against accidents, maintaining and creating new alliances with collaborating companies, and various action plans with contractor companies with high accident rates.

ENDESA executes a control plan on all risk activities in order to guarantee that the works are carried out with the same levels of safety and control as those carried out by its own personnel.

- Inspection plan for the analysis and control of the risk work carried out.
- Extra Checking On Site "ECoS" action programme.
- Supplier Safety Assessment to identify critical areas in OHS processes.

Likewise, instructions are developed for standards of action during the pandemic situation, instructions are disseminated to Workplace Health and Safety Coordinators for the incorporation of COVID Action Plans in construction sites.

2.2. Contractor training

EU18

In 2020, 100 percent of workers in ENDESA's contractors and subcontractors received training from their companies in occupational health and safety relevant to their activities. This is a legal requirement contained in ENEL's Operational Instruction 010.

Until 2012, the number of qualified suppliers considered the number of ratings plus the audits carried out on suppliers that did not have OHSAS 18001 certification for purchasing lines that required it.

In 2013, strategic lines in Occupational Health and Safety were included in the qualification system where, in addition to Occupational Health and Safety requirements, quality and/or environmental management systems and legal and financial aspects were assessed.

Throughout 2020, checks continued on companies in the sectors considered to be the most dangerous, with an emphasis on maintenance activity.

| Contractors and subcontractors who have received training in occupational health and safety | | | |
|--|--------|--------|--------|
| | 2018 | 2019 | 2020 |
| Spain and Portugal | 19,886 | 18,227 | 17,451 |

| Qualified suppliers | | | |
|----------------------------|------|-------|-------|
| | 2018 | 2019 | 2020 |
| Spain and Portugal | 617 | 1,118 | 1,094 |

ENVIRONMENTAL SUSTAINABILITY



| | Line of action | 2020 Objective | 2020 Profit/Loss | Key actions |
|------------------------------|---|---|---|--|
| Environmental sustainability | Reduction of the environmental footprint | 11,227 | 6,098 | |
| | Specific SO ₂ emissions (g/kWh) | 0.33 | 0.17 | In 2020, safety inspections were carried out of works and/or projects by the company's own personnel and contractors, which contributed significantly to reducing workplace accidents. |
| | Specific NO _x emissions (g/kWh) | 0.91 | 0.77 | |
| | Specific particle emissions (g/kWh) | 0.02 | 0.01 | |
| | Reduction of water consumption in the electricity generation process (m ³ /MWh) | 400 | 90.69 | Internal launch of the WAVE project for the search and implementation of improvements aimed at reducing the consumption of fresh process water. |
| | Promote efficiency in the management of waste generated in the electricity generation process (tonnes produced) | Hazardous: 8,273.5 Non-hazardous: 28,378 | Hazardous: 7,821 Non-hazardous: 23,137 | ENDESA has received the AENOR certificate of Guarantee of Traceability of Waste Management for the waste recovery system of its three port terminals. |
| | Implementation of biodiversity conservation projects | >20 | 26 | Approval, in January 2020, of ENDESA's Biodiversity Policy. |
| | Progressive electrification of the fleet | 230 EVs | 185 EVs | The reduction in the number of combustion vehicles has continued. Promotion of electric vehicle pools in the main locations. |
| | Implementation of the e-bike service (km) | 22,000 | 4,095 | |
| | Electrification of car parks at Headquarters/Offices (No. places) | 600 | 719 | |
| | Promotion of car e-sharing (km) | 60,000 | 5,645 | |

| | Line of action | 2020 Objective | 2020 Profit/Loss | Key actions |
|---------------------------------------|---|----------------------|----------------------|---|
| Operational efficiency and innovation | Maintain high efficiency in renewable power plants (wind and hydro) | W: 94.8% H: 98.8% | W: 94.2% H: 98.5% | ENDESA has the certification of its management system for all of its generation facilities. |
| | Thermal generation facilities certified by ISO 9001 | 100% | 100% | |
| | Renewable generation facilities certified by ISO 9001 | 100% | 100% | |

1. ENVIRONMENTAL MANAGEMENT

103-1 Management approach Materials/103-2 Management approach Materials/103-3 Management approach Materials/103-1 Management approach Energy/103-2 Management approach Energy/103-3 Management approach Energy

For ENDESA, sustainable development is an essential pillar of its strategy, including as one of the most important environmental protection commitments. This attitude constitutes a sign of positive and differential identity for the company, since it is a fundamental principle of behaviour that is expressly included in its business values.

Through this commitment, the aim is to minimise the impact of ENDESA's activity on the natural environment in which it operates. Fundamentally, it addresses aspects related to the fight against climate change, adequate waste management, protecting biodiversity, minimising air emissions and dumping, managing contaminated soils and other potential negative impacts.

In addition, ENDESA's environmental management aims at the sustainable use of natural and energy resources, betting on the protection of biodiversity and the ecosystems of the environments where it operates in order to stimulate their natural capital.

The evaluation of the environmental risks associated with the development of the company's activities and the environmental certifications granted by external entities help ensure excellence in ENDESA's environmental management and demonstrate that it is integrated and aligned with its corporate strategy.

1.1. ENDESA's Environmental Policy

103-1 Management approach Materials/103-2 Management approach Materials/103-3 Management approach Materials/103-1 Management approach Energy/103-2 Management approach Energy/103-3 Management approach Energy/103-1 Management approach Environmental Compliance/103-2 Management approach Environmental Compliance/103-3 Management approach Environmental Compliance/102-11

ENDESA considers environmental excellence as a fundamental value of its business culture, and formalises its commitment through the Environmental Policy, the last update of which was approved by the Board of Directors in January 2020, to adapt it to the current context and the requirements entailed by its commitment to combating global warming. ENDESA carries on its activities respecting the environment and in accordance with the principles of sustainable development, and is firmly committed to the conservation and sustainable use of resources in line with the principles of the circular economy, always applying criteria of excellence.

In fulfilling its environmental commitments, ENDESA identifies, evaluates and manages the environmental aspects and impacts deriving from its activities, striving to minimise the negative and maximise the positive effects by applying the following basic principles of action, which constitute the foundations of its Environmental Policy:

ENDESA's environmental policy is available at the following link: <https://www.endesa.com/content/dam/endesa-com/endesa-en/home/sostenibilidad/medioambiente/documentos/endesa-environmental-policy.pdf>

1.2. Environmental objectives

102-11/EU12

ENDESA annually reviews the environmental objectives established within the Sustainability Plan in order to update its ambition and match it with the expectations of its stakeholders. The consultations carried out in the framework of the 2020 materiality study have revealed that the most relevant environmental issues when it comes to promoting a sustainable business model are decarbonising the energy mix and minimising environmental impacts. Consequently, ENDESA includes specific objectives for these areas in its Sustainability Plan.

For more information see section 6.1. 2021-2023 Sustainability Plan

1.3. A significant investment effort

ENDESA makes a major investment effort to achieve excellence in environmental management.

During 2020, ENDESA's investments in environmental activities involved a 3.3% increase in cumulative investments compared with 2019.

| Annual Gross Investment in the Environment | | | |
|--|------------|-----------|---------------|
| Millions of Euros | 2019 | 2020 | % Var. |
| Property, plant and equipment | | | |
| Generation and Supply | 122 | 51 | (58.2) |
| Distribution | 9 | 10 | 11.1 |
| Structure and Others ¹ | - | - | - |
| Total | 131 | 61 | (53.4) |

¹Structure, Services and Adjustments.

| Cumulative Gross Investment in the Environment | | | |
|--|--------------|--------------|------------|
| Millions of Euros | 2019 | 2020 | % Var. |
| Property, plant and equipment | | | |
| Generation and Supply | 1,476 | 1,526 | 3.4 |
| Distribution | 360 | 371 | 3.1 |
| Structure and Other | - | - | - |
| Total | 1,836 | 1,897 | 3.3 |

| Annual Spending on Environment | | | |
|-----------------------------------|------------|------------|-------------|
| Millions of Euros | 2019 | 2020 | % Var. |
| Annual expenses | | | |
| Generation and Supply | 147 | 207 | 40.8 |
| Distribution | 30 | 31 | 3.3 |
| Structure and Others ¹ | - | - | - |
| Total² | 177 | 238 | 34.5 |

¹Structure, Services and Adjustments.

² Of total spending relating to environmental activities, Euros 180 million in 2020 and Euros 115 million in 2019 correspond to the charge for depreciation and amortisation of investments.

1.4. Managing environmental risks and impacts

Resources dedicated to the prevention of environmental risks.

ENDESA is subject to environmental regulations, which affect both the normal course of its operations and the development of its projects, leading to increased risks and costs. Additionally, ENDESA is exposed to environmental risks inherent in its business, which include the risks arising from the management of waste, discharges and emissions from the electrical production units and therefore can be held liable for damages to the environment, for damages to its employees or third parties, or for any other type of damage associated with its power generation, supply and distribution facilities, as well as the activities at port terminals.

To comply with the obligations deriving from the Spanish Environmental Responsibility Law, ENDESA has developed the MIRAT Project, based on a methodology developed at sector level and approved by the current Ministry for Ecological Transition and the Demographic Challenge, the objective of which was to establish the mandatory financial guarantee required by this Law for conventional thermal and combined cycle power plants with a thermal capacity of more than 50 MW through an environmental risk analysis. In view of the results of the environmental risk analyses of all thermal and combined cycle power plants, the corresponding formal statements were submitted to the Administration.

ENDESA has implemented a methodology for “Assessment of Environmental Aspects, Impacts and Risks”, which is applicable to all ENDESA businesses. Starting from the result of the evaluation of the significance of environmental aspects (as defined in the Environmental Management Systems corresponding to each business), the methodology incorporates the consideration of other aspects of an organisational, strategic, economic, reputational nature, etc. associated with the activity and infrastructure of the businesses. Legal compliance is also evaluated, as well as the effectiveness of the operational controls (technical, documentary, etc.) implemented, to obtain a “residual risk” assessment. The different levels of resulting final risk determine the obligation to launch specific action plans to mitigate the associated environmental risks. The results of this evaluation make it possible to compare the resulting levels of environmental risk between different facilities, businesses, etc. In the field of renewable generation, the analysis has led to the conclusion that in no case are there significant residual risks, and there is an adequate level of control over them. With regard to the field of thermal generation, after the analysis carried out, a reputational risk related to climate change was identified, which is mitigated by compliance with the planned closure plans for coal plants, and by the planned growth in energy from renewable sources.

The company also has an environmental responsibility policy that covers personal and/or material damage to third parties, and also covers damage to Biodiversity according to EU Directive 35/2004 and equivalent National Legislation (Law 26/2007 on Environmental Responsibility).

As a result of its commitment to protecting the environment, ENDESA feels obliged to eliminate environmental liabilities, and, therefore, each facility identifies these liabilities and addresses them within the framework of their environmental management programmes, which may be reflected in their elimination, disposal or reuse.

ENDESA's activity is also affected by the risks associated with climate change, which are described in detail in the Decarbonisation chapter. See section 1.4. Risk management.

1.5. Environmental management systems

ENDESA is committed to achieving excellence in the environmental management of its business activity throughout the entire value chain. Therefore, in its 2020-2022 Sustainability Plan it established the objective of maintaining 100% of its generation and distribution facilities certified by the International Standard ISO 14001. This objective, which was fully met in 2020, is maintained in the new 2021-2023 PES.

The monitoring of all businesses at an environmental level is carried out through environmental management systems and their indicators. The indicators include the facilities' impact on all aspects of the environment and enable compliance with all existing legal obligations regarding environmental matters in relation to the business operations to be verified, as well as alignment with the path laid out by ENDESA to evaluate the degree to which the strategic objectives and goals defined.

1.5.1. Certification of environmental management systems

| Certification of environmental management systems according to the ISO 14001 standard | |
|---|--------------|
| Activity | % certified |
| Electricity generation (thermal, hydraulic and renewable) | 100% |
| Electricity distribution. | 100% |
| Port Terminals | 100% |
| Corporate headquarters and office buildings | 11 locations |

1.5.1.1. Electricity generation

In 2020, all of ENDESA's electricity generation facilities and port terminals were UNE EN ISO 14001:2015 certified.

All of ENDESA's generation facilities (thermal, hydraulic, wind, solar and biogas), are certified in accordance with international standards ISO 14001, ISO 9001 and ISO 45001, which allows processes to be managed effectively by adopting high standards of commitment to quality, the environment, and people's health and safety. Also, and for the corresponding plants, the requirements of the EMAS Register and the ISO 50.001 standard for energy efficiency are integrated into it, resulting in a solid, consolidated and aligned control and management scheme.

At present, 22.7% of the thermal power stations are certified UNE EN ISO 50001 for energy efficiency. We would also point out that 73.9% of the net installed capacity in all thermal power plants corresponds to plants registered in the EU Eco-Management and Audit Scheme ("EMAS"). Likewise, all port terminals are registered in EMAS and during 2020 they obtained Zero Waste certification.

1.5.1.2. Distribution

All the distribution infrastructures are included in the scope of an Environmental Management System (ISO 14001: 2015) certification, ensuring that the identification, evaluation and control of the environmental impacts that its facilities and operations may generate are carried out periodically and systematically. This Management System is audited annually by an official accreditation entity.

In the last quarter of 2020, the renewal audit for ISO 14001 was carried out, and at the same time the implementation of the ISO 9001 and ISO 50001 standards was certified, which has allowed ratification of the involvement of the entire organisation in compliance with the objectives and

goals established in line with the business strategy. In addition, a Zero Waste certification pilot scheme was launched for the activities carried out in a sample of territories.

1.5.1.3. Supply

In 2020, the Integrated Management System that certifies gas and electricity commercialisation activity under ISO Quality and Environment standards continued with the improvement of management processes and with it the assurance of compliance with legal requirements and objectives acquired by the Organisation. In 2020 the scope was expanded through a certification linked to the existing one, for the supply of electricity from renewable sources.

In 2020, the activity of technical and economic management of energy-related products and services to industrial customers, private customers, small businesses and public administrations continued to improve its performance within the integrated quality and environmental management system.

1.5.1.4. ENDESA offices

During 2020, improvement continued on the environmental performance of the triple SIGAEC certification system (Environmental Management (ISO 14001), Energy Efficiency Management (ISO 50001) and Indoor Environmental Quality Management (UNE 171330-3) implemented in the company's 11 main offices, by controlling the environmental, energy and environmental quality aspects indoors, ensuring compliance with legal requirements and planned objectives.

4,715 employees work at certified offices, representing 47% of the workforce.

1.5.2. Environmental authorisations

During 2020, all ENDESA generation plants continued to comply with the environmental conditions set out in the reference Environmental Authorisations (AAI) in each facility, which cover all environmental aspects considered by the competent environmental authorities, in accordance with basic legislation state and the corresponding autonomic.

In order to be able to comply with the emission limit values (ELV) established by the European Directive on Industrial Emissions by 1 January 2020, the modifications required to the non-mainland thermal generating plants came into operation. Additionally, on the same date, generators 1 and 2 of the Alcudia thermal power plant were closed, and on 1 July the planned closure of the Compostilla and Teruel thermal power plants was carried out. Of the latter, it is worth mentioning that the dismantling plans have been presented, designed on the basis of respect for the environment in terms of atmosphere, water and soil, promoting the circular economy with proposals for the reuse of material and machinery in other facilities for the recovery of industrial waste, as well as including projects for a just transition of the areas.

At the end of 2020, ENDESA is processing an environmental impact statement or modification/confirmation of the existing 5,970 MW in renewable installations, of which almost 5,000 MW have been submitted throughout the year 2020.

Additionally, in coordination with the Environmental Administration, considerable improvements have been made regarding the required environmental compensation measures, launching actions aimed at improving biodiversity and conserving the natural values of the area where renewable projects are implemented. These actions tie in with ENDESA's natural inclinations in its commitment to sustainability and generating shared value.

1.6. Nuclear activity management

ENDESA is firmly committed to the safe management of its nuclear activity, as expressed in the Nuclear Policy approved by the Board of Directors in 2011 and published on the website of the Companies that conduct this activity.

This policy establishes the commitment to act in such a way that, in all nuclear activities, whether ENDESA is a majority or minority shareholder, the main priorities are: the safety and protection of workers, the public and the environment, as well as the promotion of excellence in all activities, going beyond simply complying with legal requirements

1.6.1. Risk prevention and management

103-1 Spill and waste management approach EUSS/ 103-2 Spill and waste management approach EUSS/ 103-3 Spill and waste management approach EUSS/

ENDESA supervises compliance by investee nuclear power plants with the nuclear policy, which includes minimising discharges of effluent into the environment and the generation of radioactive waste.

In line with the technical specifications of each facility, ENDESA nuclear power plants continuously monitor and control liquid and gaseous discharges, with very strict limits established by the regulatory body, the Nuclear Safety Council, in order to avoid affecting the environment and the population. In addition, as provided in said specifications, radiological surveillance of the surrounding environment is carried out, including numerous air, water and soil analyses, as well as extensive sampling and analysis of food. These environmental controls are also monitored and inspected by the regulatory body.

1.6.2. Emergency management

103-1 Disasters/Emergency planning and response management approach EUSS/103-2 Disasters/Emergency planning and response management approach EUSS/103-3 Disasters/Emergency planning and response management approach EUSS

ENDESA's nuclear power plants are prepared to face emergency situations with the resources and procedures defined in:

- the Interior Nuclear Emergency Plan (PEI), which is structured according to the regulations on nuclear and radioactive facilities (state regulations). Each nuclear power plant has a specific PEI that details the actions, measures and responsibilities for preparing and responding to the accident conditions, in order to mitigate its consequences, protect the facility personnel and immediately notify the competent authorities, including the initial assessment of the potential consequences of the emergency. In addition, the PEIs establish the actions planned by the licensee to assist in protection interventions outside the facility, as established by the Basic Nuclear Emergency Plan (PLABEN).
- The Exterior Nuclear Emergency Plan (PEN) aims to avoid, or at least reduce as much as possible, the adverse effects of ionising radiation on the population and the environment. They are based on the standards and criteria established by PLABEN and assign responsibilities to public entities or bodies, with the collaboration of the owners of the facilities.

The emergencies that are declared to deal with possible accidents in the nuclear power plants are classified into four categories depending on the severity of the event and the nature and amount of radioactive material that may be released (from Pre-alert to General Emergency). The measures to protect the population in the event of a real emergency are defined by state authorities following the guidelines of the Nuclear Safety Council based on the information provided continuously by the emergency centres of the affected nuclear power plant and its own information systems.

Emergency preparedness is ensured through periodic exercises (drills) and specific training for all personnel involved. The drills are supervised by the Nuclear Safety Council, as well as by duly trained personnel belonging to the organisation itself in order to identify areas for improvement

within the continuous improvement process. Preparedness for emergencies is periodically inspected by the Nuclear Safety Council and periodically audited by the organisation itself. In addition, it is periodically evaluated by the World Association of Nuclear Operators (WANO), against the highest industry standards. The identified improvement areas are processed and incorporated, as part of the continuous improvement process.

Stress tests on the safety of nuclear power plants, which were carried out in Spain and throughout Europe immediately after the Fukushima accident, determined safety margins in extreme scenarios (earthquakes, floods, failure of all sources of electrical energy or absence of water to cool the reactors) to check the response of the plants and whether measures were required to increase their robustness to cope with these scenarios.

As a result of this exercise, a series of improvements have been made that have been implemented by all ENDESA plants. These include the availability of portable pumping and power generation equipment that can be easily connected to the plant in the event of a total loss of electrical energy; the installation of passive hydrogen recombiners in the containment building; construction of a new centre for emergency management, and venting systems filtering the atmosphere of the containment building.

The recovery phase, after an emergency, is covered by the Nuclear Emergency Plans. Recovery measures are mainly directed towards the physical environment and the restoration of normal living conditions. Their purpose is to reduce

- External irradiation due to the radioactive substances deposited,
- The transmission of radioactive substances to people, animals and food,
- The resuspension of radioactive substances.

All this, through the Internal Nuclear Emergency Plans (PEI), responsibility of the owner of the facility and regulated by the regulations on nuclear and radioactive facilities (state regulations); of the Exterior Nuclear Emergency Plans (PEN), based on the standards and criteria established by the Basic Nuclear Emergency Plan, assigning responsibilities to public entities or bodies; and of the local Information Committees, in which the Regulator, the Ministry, the Town Councils of the areas affected by the nuclear power plants and the representatives of the facilities participate, to coordinate aspects at the local level.

The regulatory body maintains a plant safety supervision system, called SISC, the results of which are updated quarterly with the results published on its website (https://www.csn.es/sisc/index_i.do) along with the rating of each of the plants. One of the areas under evaluation is emergency preparedness, with three indicators called E1, E2 and E3 that characterise the situation of each plant in this area.

1.6.3. Dismantling

103-1 Plant dismantling Management Approach EUSS/103-2 Plant dismantling Management Approach EUSS/103-3 Plant dismantling Management Approach EUSS/

In Spain, the dismantling of nuclear power plants and the management of radioactive waste, including spent nuclear fuel, is the responsibility of the State. This responsibility is assigned to ENRESA, a state-owned company.

The General Radioactive Waste Plan, an official document approved by the Ministry of Industry that is currently in its sixth edition, describes the scope, planning and economic assumptions for the provisions of the fund for the dismantling and management of radioactive waste from all Spanish nuclear power plants. This fund is fed by a tax on the monthly contributions of nuclear power plant owners.

In March 2020, ENDESA sent the Ministry a draft of the 7th General Radioactive Waste Plan for study and processing.

1.7. Environmental sanctions

307-1

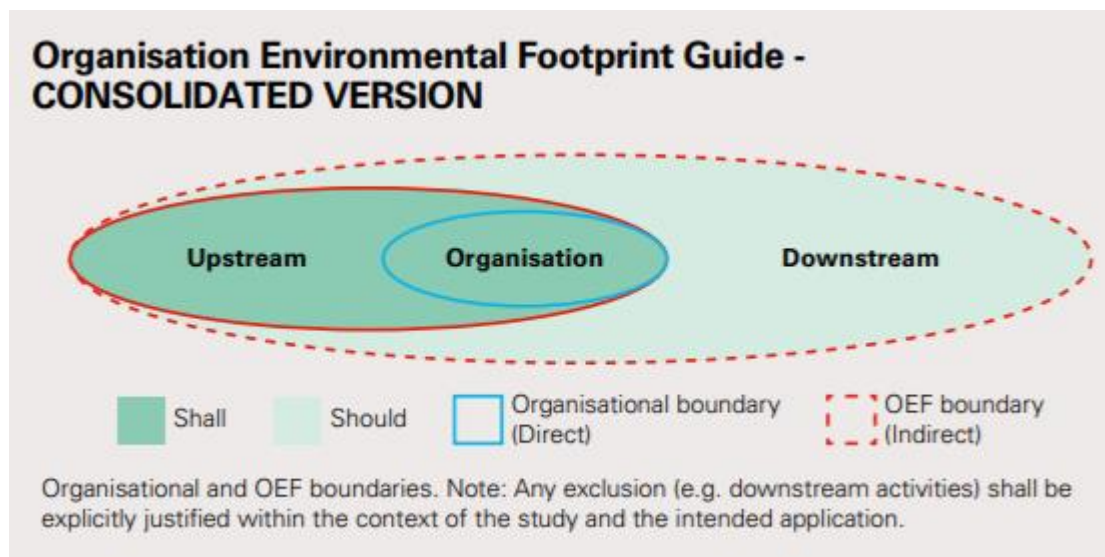
Environmental sanctions can be consulted in section 2.7 Litigation of the Corporate Governance and Ethical Conduct chapter.

ENDESA has insurance coverage of an environmental nature, which is included in the global civil liability insurance policy. The environmental section covers ENDESA's liability in accordance with European Directive 35/2004 on environmental liability, as well as its transpositions to the national legislation of the countries where ENDESA is present and any other judicial decision related to environmental damage. The general limit of the policy is Euros 150 million and the general deductible limit is Euros 250,000.

2. ENDESA'S ENVIRONMENTAL FOOTPRINT

ENDESA calculates its environmental footprint using a methodology based on the most relevant international references, including the guidelines developed by the European Union to calculate the environmental footprint of its organisations and products. The environmental footprint is a multi-criteria measure of the company's environmental behaviour with the perspective of the entire life cycle; this means looking at all stages from the extraction of raw materials to how products are managed at the end of their useful life, as well as the production and use stages.

During 2020 ENDESA maintained its commitment to excellence in environmental sustainability while meeting the decarbonisation objectives set in its Strategic Plan. All this led the organisation to achieve a reduction of 56% in the value of its footprint compared with 2019, which is well in excess of the planned objective. This has been mainly caused by the progressive cessation of the coal-fired thermal generation activity, accompanied by a general reduction in the operation of most generation technologies due to the uniqueness of the year.



| 2020 direct sub-footprints (footprint units) | |
|--|----------|
| | 2020 |
| Atmospheric footprint | 4,039.17 |
| Water footprint | 1,153.21 |
| Carbon footprint | 535.90 |
| Resource consumption footprint | 1.78 |
| Residue footprint | 349.75 |
| Noise footprint | 12.57 |
| Flora and fauna footprint | 5.76 |

2.1. Energy resources

103-1 Energy Management Approach/103-2 Energy Management Approach/103-3 Energy Management Approach

ENDESA maintains its commitment to energy efficiency, which includes optimising generation processes, reducing losses in distribution networks and the energy consumption of the buildings and facilities, and offering a wide range of efficient products and services to its customers. ENDESA is also involved in public communication and awareness-raising, and participates, nationally and internationally, in the most important forums for knowledge and dissemination of energy efficiency.

2.1.1. Electricity consumption

302-1

The electricity consumed by the facilities is supplied by the company itself, so its value is not reported to avoid double counting.

2.1.2. Fuel consumption

301-1/302-1

The materials used to produce electricity are mainly fuels and are considered non-renewable. A lower consumption is observed in almost all fuels except diesel, associated with a lower performance of all thermal technologies in the year.

The table includes fuels consumed in all ENDESA activities. It is worth mentioning the use in electricity generation (all fuels), electricity distribution (diesel) and to a lesser extent in buildings (diesel and natural gas) and vehicle fleet (diesel).

| Consumption of materials (weight/volume) | | | |
|---|--------|-------|-------|
| Type of fuel | 2018 | 2019 | 2020 |
| Coal (kt) | 11,409 | 4,040 | 907 |
| Fuel oil (kt) | 1,325 | 1,187 | 867 |
| Diesel (kt) | 809 | 794 | 809 |
| Natural gas (10 ⁸ m ³) | 1,356 | 1,721 | 1,585 |
| Uranium (t equivalent of uranium) | 63.65 | 54.27 | 62.06 |

2.1.3. Energy consumption

Internal energy consumption

The organisation's energy consumption is associated with the fuels consumed for electricity generation, distribution and commercialisation processes. Electricity self-consumption has not been considered since installations are supplied by electricity produced by the organisation itself.

There was a significant decrease in the total value of energy consumption deriving mainly from the reduced operation of coal-fired power plants during 2020, as a result of their progressive cessation of activity and coupled with the small share of this technology in the generation mix and the substantial increase in the entry of renewable technologies.

| Internal energy consumption by primary source (TJ)* | | | |
|---|----------------|----------------|----------------|
| Type of fuel | 2018 | 2019 | 2020 |
| Coal | 221,079 | 81,527 | 17,529 |
| Fuel oil | 53,313 | 47,755 | 34,873 |
| Diesel oil | 34,859 | 34,357 | 35,040 |
| Natural gas | 51,160 | 64,932 | 59,791 |
| Uranium | 254,926 | 279,042 | 273,845 |
| Total | 615,336 | 507,614 | 421,078 |

*TJ: Terajoules

External energy consumption

302-2

For the year 2020, external energy consumption was estimated at 46.79 TJ, considering the fuel expenditure of the vehicles of the suppliers that work regularly with ENDESA, and considering the same perimeter as in previous years. The calculation is made based on the carbon footprint tool that is verified by AENOR according to UNE EN ISO 14064. The data are subject to some modification because at the time of publication of this Declaration the external verification process is being carried out according to the requirements of the UNE EN ISO 14064 standard.

Energy efficiency in internal processes

Within the process of continuous improvement, ENDESA is immersed in a global process of digitisation of all the processes involved in its activity. During 2020 ENDESA intensified this digitisation process to improve the environmental protection and control processes. The most notable projects in this area are:

- Improvements in emission or discharge data acquisition systems: this project aims to optimise the systems for the acquisition of data on emissions, air quality and discharges of the facilities, improving the communication of remote stations, taking advantage of CLOUD-type storage available on the market and facilitating the adaptation of calculation processes to emerging environmental legislation.
- Digital Waste Project: this project enables the digitisation of waste management in generation plants, creating a platform that helps in the logistics management of waste storage, and a document control platform that will speed up waste management procedures with authorised managers.
- EDEN Project: a digital platform has been developed for the treatment of environmental information for its internal and external reporting. This platform will facilitate the collection of information and will ensure the reliability of the information provided and its subsequent analysis for the management of environmental improvements.
- DIMAS project: a customised internal platform has been designed for the integrated management system of the facilities (environment, safety and quality). Through this platform, better control of the evaluation of environmental aspects, setting of objectives and goals for continuous improvement, identification and evaluation of legal compliance, as well as the resolution of non-conformities and observations occurring day-to-day is maintained.

- HEQ4U project: a platform has been developed that allows all plant personnel to register potential environmental or security incidents (“Near Miss”). This makes it possible to detect situations that may pose a potential risk to the environment or security before the incident occurs, so that improvement actions can be implemented in time to prevent their occurrence.

Reduction of energy consumption - Energy saving.

302-4

In 2020 ENDESA has saved 1,807,954 GJ of energy thanks to the development of energy efficiency improvement programmes. In 2020 the actions regarding the redesign of processes in the thermal power plants are also of great importance, particularly the savings obtained in the Cas Tresorer thermal power plant due to the modification of the curve of the variable inlet guide vane system, of the open gas cycle of one of the plant's turbines. In the same way, within the programmes focused on the conservation and adaptations of the equipment, the modifications in the lighting systems that have been transformed to LED systems in various buildings and facilities stand out. This energy saving means a reduction in the carbon footprint of the company and contributes to the reduction of the operating costs of the business.

| Energy saving due to conservation and improvements in efficiency (GJ) | | | |
|---|---------------|---------------|------------------|
| Type of fuel | 2018 | 2019 | 2020 |
| Redesign of processes | 0 | 10,181 | 1,802,006 |
| Upkeep and adaptations of equipment | 171.49 | 7,665 | 5,948 |
| Total | 171.49 | 17,846 | 1,807,954 |

Additionally, ENDESA has been implementing measures for years and promoting more sustainable mobility initiatives among its employees, which have a significant impact measured in terms of reduced energy consumption. We should highlight among these types of actions the collective transport in generation centres. The energy saving associated with these measures was 32,415 GJ.

Energy intensity

302-3

Energy intensity has been calculated considering internal energy consumption. The energy intensity value is affected by the proportion in the different generation technologies and the operation of each of them in the year. Continuing with the criteria established in 2018, in this year the energy consumption derived from Uranium was also included in the calculation. There was a decrease in the company's energy intensity, the result of the continuous improvement actions that the company is applying in all its processes.

| Energy intensity | | | |
|-------------------------------|---------|---------|---------|
| | 2018 | 2019 | 2020 |
| Total energy consumption (TJ) | 615,336 | 507,614 | 421,574 |
| Net production (GWh) | 74,193 | 61,402 | 56,269 |
| Energy intensity (TJ/GWh) | 8.29 | 8.27 | 7.48 |

2.1.4. Other consumption

ENDESA uses other consumables necessary to produce electricity. In 2020, total consumption was 24.6 thousand metric tons (kt), 86% less than in 2019 (179 kt) in Spain and Portugal, mainly due to the reduced operation of coal-fired power plants and consequently the reduced consumption of limestone for the flue-gas desulphurisation process.

| ENDESA consumables (metric tons) | | | |
|--|-------------------|-------------------|------------------|
| Spain and Portugal | 2018 | 2019 | 2020 |
| Lime | 773.11 | 486.97 | 490.36 |
| Ferric chloride | 486.87 | 294.40 | 213.30 |
| Ammonium | 2,711.47 | 822.38 | 96.14 |
| Caustic soda | 895.8 | 474.24 | 480.58 |
| Sulphuric and hydrochloric acid | 1,668.11 | 961.67 | 671.06 |
| Sodium hypochlorite | 694.40 | 549.08 | 709.03 |
| Chlorine dioxide | 0.99 | 0 | 2.77 |
| Magnesium oxide | 129.9 | 0 | 55.35 |
| Limestone for the desulphurisation of combustion gases | 406,745.43 | 174,491.60 | 16,212.54 |
| Lubricant oil | 12,328.12 | 198.51 | 4,253.31 |
| Dielectric oil | 549.65 | 85.74 | 658.12 |
| Others* | 5,746.35 | 739.38 | 1,097.68 |
| Total | 432,730.19 | 179,104.01 | 25,004.81 |

*includes chemical components not habitually used

| Use of recycled materials (metric tons) | |
|---|---------------|
| | 2020 |
| Filtered and reused lubricating oil | 79.01 |
| Reused dielectric oil | 262.47 |
| Recycled paper | 1.40 |
| Total Recycled | 342.88 |

2.1.5. Energy efficiency and unavailability in electricity generation

EU11/103-1 System Efficiency Management Approach EUSS /103-2 System Efficiency Management Approach EUSS/103-3 System Efficiency Management Approach EUSS

ENDESA makes a firm commitment to energy efficiency in its generation business, the energy return obtained from the natural resources used being fundamental. Thus, the efficiency of ENDESA's thermal power plants in 2020 remained at similar values to those of the previous year, except for the coal-fired power plants, whose low operation also had an impact on this parameter.

| Energy efficiency of thermal power plants (%) | | | |
|---|--------------|--------------|--------------|
| | 2018 | 2019 | 2020 |
| Coal-fired power plants | 37.96 | 35.28 | 29.90 |
| Mainland combined cycle thermal power plants | 54.33 | 54.38 | 54.51 |
| Non-mainland thermal power plants | 39.31 | 40.01 | 41.39 |
| Average value | 39.97 | 41.51 | 43.41 |

| Non-availability of thermal power plants (%) | | | |
|--|------------|------------|-------------------|
| | 2018 | 2019 | 2020 |
| Coal-fired power plants | 6.4 | 9.3 | 6.4 |
| Mainland combined cycle thermal power plants | 8.7 | 10 | 14.3 ¹ |
| Non-mainland thermal power plants | 6.2 | 6.4 | 5.8 |
| Average value | 7.0 | 8.6 | 8.7 |

¹Data without the effect of the As Pontes combined cycle plant during the first nine months of 2020.

For calculating the parameters of efficiency and non-availability the different regulatory regimes are considered separately as required by the GRI. Details of the criteria used for the calculation are:

- Coal-fired power plants: includes coal-fired power plants on the Spanish mainland and the Balearic Islands. It should be taken into account that several of them compute only for their period of operation in 2020 (from 1 January to closure).
- Mainland combined cycle thermal power plants: includes combined cycle power plants located on the Spanish mainland.
- Non-mainland thermal power plants: includes all thermal power plants located in non-mainland territories, for all technologies except coal.

EU30

In 2020, the efficiency of nuclear power plants was 35.44%, very much in line with last year's values (efficiency in 2019 was 35.30%). Non-availability in 2020 was 10.29%, slightly higher than in 2019 (9.58%).

2.2. Air quality

103-1 Emissions Management Approach/103-2 Emissions Management Approach/103-3 Emissions Management Approach/305-7

| ENDESA trends in absolute emissions of SO ₂ , NO _x and particles | | | |
|--|--------|--------|--------|
| | 2018 | 2019 | 2020 |
| SO ₂ (tonnes) | 47,845 | 26,492 | 9,550 |
| NO _x (tonnes) | 70,313 | 57,811 | 43,139 |
| Particles (tonnes) | 1,532 | 1,035 | 757 |

| ENDESA trends in specific SO ₂ , NO _x and particle emissions | | | |
|--|------|------|------|
| | 2018 | 2019 | 2020 |
| SO ₂ (g/KWh) | 0.64 | 0.43 | 0.17 |
| NO _x (g/KWh) | 0.95 | 0.94 | 0.77 |
| Particles (g/kWh) | 0.02 | 0.02 | 0.01 |

In addition to the decrease in pollutant emissions in 2020 due to a lower operation of thermal power plants, and within these more particularly of coal-fired plants, a significant decrease in specific emissions is observed thanks to the implementation of efficiency and environmental protection measures in the facilities.

Despite the special COVID pandemic circumstances, in 2020 ENDESA continued with the exhaustive system to control all its emissions in real time and ensure compliance with the emission limit values at all times. In the same way, it continued with the real-time control of the air quality around its facilities. For this, it carries out an exhaustive control and maintenance of the chimney measurement equipment and submits them to annual inspections carried out by external accredited laboratories. The company meets the parameters required by the regulations applicable, implements technology to minimise emissions, and applies corrective measures to the impacts generated. During 2020, due to the special pandemic circumstances, access to the facilities by external entities had to be adapted, modifying the work procedures to ensure the safety of both external and internal personnel and allow them to continue with the inspection and quality assurance processes of the facilities' environmental control equipment, as well as the taking of samples to ensure compliance with the environmental requirements deriving from current legislation.

In 2020 ENDESA carried out important actions and procedures in the plants focused on complying with the required emission levels, such as:

- In the combined cycle pool ENDESA is investing in the improvement of the combustion systems of its turbines to improve their operational flexibility and improve their emission standards.
- Within the scope of Directive 2010/75/EU on industrial emissions and the BREF on large combustion facilities, the substantial investments to abate emissions continue in the island groups of the thermal power plants of Mahón, Barranco de Tirajana and Granadilla. In the case of the Mahón thermal power plant, the water injection system in gas turbines 3, 4 and 5 is fed by the discharge from the waste water treatment plant of the neighbouring city of Mahón, which contributes to minimising water consumption as well as to improving the quality of the water that reaches the sea.

Additionally, ENDESA's facilities continue to make small modifications within the process of continuous improvement in order to optimise emission control systems and reduce them. In the field of automatic measurement systems, throughout 2020 the fleet's analysers continued to be constantly renewed, older ones being replaced with more modern ones and analysers being installed in locations where it was not a legal requirement, as in the Ceuta plant.

The success of the implementation of all the mentioned measures is observed in the results obtained for the environmental indicators related to air pollution in 2020.

2.3. Emissions of ozone-depleting substances

305-6/103-1 Emissions Management Approach/103-2 Emissions Management Approach/103-3 Emissions Management Approach/305-7

During 2020 there were leaks of fluorinated gases into the atmosphere equivalent to 34.53 kt equivalent of CO₂ (19.33 ktCO₂ eq of SF₆ and 15.20 ktCO₂ eq of other fluorinated gases).

During 2020 the Company maintained the commitments agreed in the framework of the Voluntary Agreement 2015-2020 between the Ministry for the Ecological Transition and the Demographic Challenge and the main actors of the Spanish Energy Sector, for a more environmentally friendly comprehensive management of SF₆ use in the electricity industry. The main aim is to contribute to the objective assigned to Spain for the reduction of greenhouse gas emissions in various sectors.

Thanks to the data sent by all the members of the Voluntary Agreement to the inventory unit of the Ministry for the Ecological Transition and the Demographic Challenge, compliance with the SF₆ emission reduction objectives for the manufacturing, installation, service and maintenance phases of electrical equipment using SF₆ during 2019 was verified.

2.4. Noise and light pollution.

The limit values under which both the noise and light pollution parameters must be found are established in the environmental legislation and, in a consistent manner, the applicable limits are included in the authorisations of the different ENDESA facilities. Assurance of maintenance of the values within regulated margins is achieved through environmental management systems certified by independent third parties.

2.5. Water resources

103-1 Water and effluents Management Approach/103-2 Water and effluents Management Approach/103-3 Water and effluents Management Approach/103-1 Water and effluents Management

Approach EUSS/103-2 Water and effluents Management Approach EUSS/103-3 Water and effluents Management Approach EUSS

ENDESA, in the interest of preserving water quality and maintaining continuous improvement in its interaction with this resource, carries out its abstractions efficiently and responsibly, always complying with the regulations in force and in accordance with the principles of the environmental management system implemented in all facilities. All uses of water by the generation facilities have been granted taking into account their compatibility with pre-existing users. Plants always operate in coordination with catchment bodies to ensure compliance with easements, maintain environmental flows and encourage the most rational use of the resource. In addition, discharges of previously used water are always done in compliance with the applicable regulations and according to the environmental management system implemented.

The facilities built for power generation allow a greater availability of water for other purposes such as irrigation, supply, or conservation of ecosystems. This availability is optimised through cooperation with watershed organisations.

Hydroelectric infrastructures have various benefits associated with them, including the existence of ecosystem services such as provision services, services for the regulation and maintenance of the environment for humans, and cultural services, contributing to their flow being maintained over time and remaining sustainable.

ENDESA annually sets objectives to improve its interactions with water. To address these objectives, the company follows an exhaustive process to analyse each impact and objective, implementing various solutions such as water consumption control systems, reuse of rainwater for irrigation, continuous improvement of water quality through control of discharges and wastewater and preservation of the ecological status of reservoirs and associated regulated river sections.

Within this improvement process, it is worth highlighting the internal launch of the WAVE project during 2020, aimed at finding and implementing improvements for reducing the consumption of fresh process water, especially in those geographical areas affected by greater water stress. In this regard, the action of the Mahón thermal power plant stands out, to reuse the water from the sewage treatment plant of the city of Mahón as a contribution to the demi water plant, as does the project to detect and repair leaks in the system of underground water pipes of the fire protection system that is supplied with water from the public network.

ENDESA participated in the CDP Water Disclosure project for the eleventh year running. This initiative requires companies to report and reduce their environmental impact in relation to water resource management. This is done in accordance with the requirements of institutional investors and companies with a high purchasing power. The qualification achieved in 2020 was A, within the "Leadership" level, the highest score in water resources management.

2.5.1. Water consumption

301-2/303-1/303-3/303-5/306-5/103-1 Management approach Water and effluents EUSS /103-2 Management approach Water and effluents EUSS /103-3 Management approach Water and effluents EUSS

Comprehensive water management is one of ENDESA's biggest concerns. The main tasks in this area entail improvements to consumption efficiency, water quality by controlling dumping and waste water and reservoir management, with an assessment of ecological potential for bird life, control of invasive species and preventing dry-up in regulated rivers.

In 2020, 133,898 m³ of residual water were reused in processes, which represents 2.6% of the total volume of water abstracted for industrial use.

99% of the water abstracted by ENDESA for use at its plants is returned to the environment to be reused.

| Capture of process water (Hm ³) | | | |
|---|--------------|--------------|-------------|
| | 2018 | 2019 | 2020 |
| Thermal Production Unit (UPT) | 42.90 | 20.46 | 3.37 |
| Nuclear generation | 1.71 | 2.2 | 1.73 |
| Mining | 0.02 | 0 | 0 |
| Total | 44.63 | 22.66 | 5.11 |

| Recycled water (Hm ³) | |
|-----------------------------------|-------|
| 2018 | 0.015 |
| 2019 | 0.161 |
| 2020 | 0.134 |

303-5

Additionally, and to comply with the new water requirements established by the GRI, the following table is provided, which includes water consumption for the different technologies, as well as in the main buildings of the company:

| Water consumption (Hm ³) | | | |
|--------------------------------------|--------------|-------------|-------------|
| | 2018 | 2019 | 2020 |
| Thermal Production Unit (UPT) | 24.38 | 6.49 | 5.88 |
| Nuclear generation | 0.032 | 0.26 | 0 |
| Mining | 0.02 | 0 | 0 |
| Buildings | 0.06 | 0.06 | 0.05 |
| Total | 24.50 | 6.81 | 5.93 |

The specific capture of water for industrial use in the electricity generation process in 2020 was 90.7l/MWh.

The following table details the water withdrawal by type of source, and a decrease can be observed compared with 2019 in all water withdrawals, except in the capture of surface water for use in cooling in nuclear power plants, due to a general reduction in the operation of the plants. Note that the water used for cooling is returned to the environment in appropriate conditions to guarantee its subsequent uses, and that in volume it represents 99% of the total water collected.

| Total water abstraction by source (Hm ³) | | | | |
|--|-------------------------------------|-----------------|-----------------|----------|
| | | 2018 | 2019 | 2020 |
| Industrial use | Freshwater catchment | 41.49 | 20.08 | 3.12 |
| | from surface waters | 40.27 | 19.31 | 2.81 |
| | from wells | 0 | 0 | 0 |
| | from municipal network | 1.22 | 0.77 | 0.32 |
| | Seawater catchment | 0 | 0 | 0.05 |
| | Seawater catchment (desalinated) | 3.12 | 2.58 | 1.93 |
| | Wastewater catchment (internal use) | 0.015 | 0.161 | 0.058 |
| Use for cooling | Seawater (open cycle) | 3,290.99 | 3,860.66 | 3,266.73 |
| | Surface waters (open cycle) | 1,753.91 | 1,628.40 | 1,942.99 |
| | Water (closed cycle) | 0 | 0 | 0 |
| | volume of water processed | 272.40 | 236.40 | 9.01 |
| | drainage from cooling towers | 251.81 | 212.75 | 0.016 |
| Civil use | 0.13 | 0.220 | 0.489 | |
| Total¹ | 5,341.46 | 5,724.85 | 5,215.34 | |

¹The volume of processed water used for closed cycle cooling is not included in the total.

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| Bodies of water affected by spills | | | |
|---|-------------|-------------|-------------|
| Bodies of water significantly affected | 2018 | 2019 | 2020 |
| For uptake $\geq 5\%$ vol. average annual total of body of water | 4 | 4 | 4 |
| For catchment in bodies of water considered significant | 34 | 34 | 34 |
| For catchment in Ramsar wetlands or in protected areas | 3 | 3 | 3 |
| For catchment in sources located in areas with national protection | 61 | 61 | 61 |
| For catchment in sources located in areas with international protection | 56 | 56 | 56 |
| Total bodies of water significantly affected | 158 | 158 | 158 |
| Characteristics of bodies of water significantly affected | 2018 | 2019 | 2020 |
| Volume (m ³) | 341,000,000 | 341,000,000 | 341,000,000 |
| Flow (m ³ /sec.) | 1,043.8 | 1,043.8 | 1,043.8 |
| Classified as protected | 60.0 | 60.0 | 60.0 |
| Of value due to its biodiversity | 59.0 | 59.0 | 59.0 |

| Water sources that have been affected significantly by water withdrawal (no.) | | | |
|--|-------------|-------------|-------------|
| Bodies of water significantly affected | 2018 | 2019 | 2020 |
| For uptake $\geq 5\%$ vol. average annual total of body of water | 124 | 124 | 124 |
| For catchment in bodies of water considered significant | 9 | 9 | 9 |
| For catchment in Ramsar wetlands or in protected areas | 8 | 8 | 8 |
| For catchment in sources located in areas with national protection | 76 | 76 | 76 |
| For catchment in sources located in areas with international protection | 73 | 73 | 73 |
| Total bodies of water significantly affected | 290 | 290 | 290 |
| Characteristics of bodies of water significantly affected | 2018 | 2019 | 2020 |
| Volume (m ³) | 395,324,000 | 395,324,000 | 395,324,000 |
| Flow (m ³ /sec.) | 2,525.70 | 2,525.70 | 2,525.70 |
| Classified as protected | 76 | 76 | 76 |
| Of value due to its biodiversity | 0 | 0 | 0 |

2.5.2. Discharge of water

103-1 Management approach effluents and waste/103-2 Management approach effluents and waste/103-3 Management approach effluents and waste EUSS/303-2/306-1/303-4

ENDESA has a series of procedures to control and reduce discharges to water, as well as to improve their quality, mainly through wastewater treatment facilities. In 2020 there was a significant decrease in discharges from thermal power plants compared with 2019 due to their lower level of operation.

| Industrial discharges (Hm ³) | | | |
|--|--------------|--------------|-----------------|
| | 2018 | 2019 | 2020 |
| Thermal power stations | 18.63 | 14.10 | 2,181.38 |
| Nuclear power plants | 1.68 | 1.97 | 1.78 |
| Total | 20.31 | 16.07 | 2,183.16 |

In 2020 the criteria for calculating water discharge in thermal power plants were changed to include the discharge associated with open-cycle cooling in the calculation. Based on the same criteria used in previous years, the discharge from the thermal power plants in 2020 was 6.43 Hm³ and the total amount discharged would be 8.21 Hm³.

In the process of continuously improving the generation facilities, specific actions are carried out aimed at reducing water consumption and improving the conditions of discharges, including:

- As Pontes Combined Cycle Plant: the recirculation cycles of the cooling towers have been increased, achieving a decrease in the specific consumption of water for cooling.
- Hydraulic Production Units: the policy of eliminating sanitary wastewater discharge points has been continued, with the aim of replacing authorised discharges with sealed confinement systems and controlled withdrawal. The system of effluent confinement, phase separation and selective management of final waste has been developed, and oil detectors are also available in the bilge pits, which are being renovated with more modern technology devices. These resources guarantee a minimum risk of spillage into the public water domain. Additionally, in 2020 all the planned actions deriving from the oil spill prevention plan, which began in 2018 with the diagnosis of the points with the highest risk of environmental incident, were carried out.

2.5.3. Water stress

In 2020, ENDESA once again carried out an analysis to identify which of its facilities are in a water stress zone. It is important to highlight that the water stress of an area is inherent to the area, and is not motivated in any case by the presence of an installation.

In 2020 the water stress analysis was done using the Aqueduct Water Risk Atlas tools of the World Resources Institute (WRI) and the "Global Water Tool for Power Utilities" (GWT) that ENDESA has been using for years, developed by the World Business Council for Sustainable Development (WBCSD), both of which are aimed at companies and organisations to facilitate the identification and analysis of water consumption during the course of their productive activity, in addition to evaluating the risks related to their global operations and their supply chain in relation to the use of water resources.

The analysis was done on 47 energy production facilities: 30 thermal plants and 17 hydroelectric plants in Iberia.

The conclusions drawn from the study are similar to those of last year:

- A total of 23 facilities are located in areas defined as water resources under stress, which represents 49% of ENDESA's plants. However, it is important to note that 56% of the facilities located in areas under stress do not consume fresh process water, e.g. thermal power plants because they only use salt water, and hydroelectric plants because they use but do not consume fresh water.
- Facilities located in areas with water resources under stress (<1,700 m³/person per year) and with fresh process water consumption account for only 21% of ENDESA's facilities, which produce 9.6% of the energy. The sum of these consumptions is 0.155 Hm³.
- ENDESA optimises the use of fresh water in all its facilities, whether located in areas with or without water stress. This is demonstrated by the fact that 79% of the production centres located in areas with sufficient and abundant water resources also do not consume fresh process water.

The Alcudia thermal power plant in the Balearic Islands, located in a stress zone, with a consumption of fresh process water that represents 84% of the total, is in limited operating conditions, so its water consumption will be greatly reduced.

It is also worth highlighting that all the plants have an ISO 14001-certified environmental management system. Many of their environmental management programmes set objectives for reducing water consumption or improving discharges, measures that will reduce the plants' impact the availability of freshwater resources in their respective catchment areas.

303-3

The withdrawal of fresh water for industrial use in thermal power plants located in areas of water stress during 2020 was 13.7% of the total water withdrawn for industrial use. It should be borne in mind that 99% of the water abstracted is returned to the environment in conditions suitable for it to be reused.

The consumption of fresh process water with respect to the total consumption of process water represents only 2.7%. Note that a large part of the process water used in ENDESA's plants is salt water.

2.6. Waste Measures for prevention, recycling, reuse, other forms of waste recovery and disposal.

301-2/306-2/103-1 Management approach materials EUSS/103-2 Management approach materials EUSS/103-3 Management approach materials EUSS/103-1 Management approach effluents and waste EUSS/103-2 Management approach effluents and waste EUSS/103-3 Management approach effluents and waste EUSS/306-4/306-1/103-1 Management approach effluents and waste/103-2 Management approach effluents and waste/103-3 Management approach effluents and waste

ENDESA has environmental management systems in place that include specific operating procedures to manage the waste produced by all its activities. These are continuously reviewed to detect and drive improvements.

ENDESA manages its waste according to the waste hierarchy (prevention, preparation for reuse, recycling, other types of recovery (including energy) and finally disposal), always starting from prevention, and when that is not possible, prioritising recovery and recycling treatments for the waste it generates, especially inert waste, as well as the treatment for reuse of those hazardous wastes that allow it, for example, used oils or cleaning solvents).

A considerable portion of all the waste recovered by ENDESA in 2020 derived from its external facilities, representing 84% of its total non-hazardous waste and 71% of its total hazardous waste in Spain and Portugal.

| Non-hazardous waste (NHW) (metric tons) | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2018 | | 2019 | | 2020 | |
| | Produced | Valued | Produced | Valued | Produced | Valued |
| Thermal Production Units (UPT) | 47,463.81 | 41,375.88 | 21,168.14 | 16,187.82 | 20,020.52 | 12,029.08 |
| Hydraulic Production Units (UPH) | 717.60 | 678.65 | 423.19 | 372.41 | 524.93 | 71.81 |
| Port Terminals | 530.60 | 511.37 | 402.39 | 386.79 | 647.46 | 633.40 |
| Nuclear | 2,040.00 | 1,444.40 | 2,690.94 | 2,062.61 | 2,585.85 | 2,278.78 |
| Distribution | 18,872.18 | 18,735.31 | 36,108.15 | 35,855.39 | 35,898.04 | 35,345.18 |
| Renewables (wind, photovoltaic, biomass) | 37.06 | 37.06 | 3.84 | 3.80 | 6.47 | 6.42 |
| Buildings | 324.15 | 248.52 | 304.05 | 233.29 | 252.12 | 132.42 |
| Total | 69,678.81 | 62,805.23 | 61,100.71 | 55,102.12 | 59,935.40 | 50,497.09 |

| Hazardous Waste (HW) | | | | | | |
|--|------------------|-----------------|-----------------|-----------------|------------------|-----------------|
| | 2018 | | 2019 | | 2020 | |
| | Produced | Valued | Produced | Valued | Produced | Valued |
| Thermal Production Units (UPT) | 6,644.72 | 3,013.32 | 6,252.97 | 3,918.81 | 6,859.82 | 4,179.05 |
| Hydraulic Production Units (UPH) | 418.49 | 354.31 | 222.94 | 162.75 | 198.80 | 145.65 |
| Port Terminals | 11.6 | 10.93 | 12.67 | 12.67 | 6.61 | 4.93 |
| Nuclear | 303.84 | 81.86 | 370.24 | 114.37 | 611.93 | 232.91 |
| Distribution | 3,002.30 | 2,536.34 | 2,318.66 | 1,959.27 | 3,269.96 | 2,936.34 |
| Renewables (wind, photovoltaic, biomass) | 103.61 | 101.31 | 143.56 | 126.34 | 150.48 | 126.67 |
| Buildings | 1.81 | 1.28 | 1.5 | 1.3 | 0.43 | 0.43 |
| Total | 10,480.59 | 6,094.09 | 9,322.59 | 6,295.47 | 11,098.04 | 7,625.98 |

Recovered waste is considered to be that which is delivered to an authorised manager and that undergoes recovery treatment by the latter. The previous table does not include the production of coal combustion residue (ash, slag and gypsum), the data for which is indicated in a dedicated table.

| Radioactive waste produced (m ³) | | | |
|---|---------------|---------------|---------------|
| | 2018 | 2019 | 2020 |
| Liquids | 1.78 | 1.60 | 5.55 |
| Solids | 212.88 | 132.47 | 136.18 |
| Compactable | 166.42 | 100.97 | 86.55 |
| Other treatments (fragmentation, cementation, etc.) | 32.84 | 23.87 | 44.68 |
| Other | 13.62 | 7.64 | 4.95 |

Non-hazardous waste generated in offices - paper and cardboard, plastic containers and metal containers - is 100% valorised. As regards solid urban waste, 67.8% was valorised in 2020. The following table shows the amounts of waste generated:

| Type of waste generated in offices (Kg) | |
|---|----------------|
| MSW | 189,000 |
| Paper and cardboard | 51,700 |
| Plastic bottles | 6,800 |
| Metal containers | 40 |
| Total non-hazardous waste | 247,540 |

2.6.1. Coal combustion products

ENDESA recovers part of the waste ash, slag and gypsum generated by its coal-fired plants as a raw material for other industrial uses. The downward trend of this activity continued in 2020, due to the lower operation of the coal-fired power plants planned within the decarbonisation process.

These products are mainly recovered at facilities located in Spain. The cement and construction industries are the main ash and slag recovery markets, while the panel-making sector acts as such for gypsum.

| Production and management of ash, slag and gypsum at ENDESA's coal-fired power plants (Spain and Portugal) | | | |
|--|-----------|---------|-----------|
| | 2018 | 2019 | 2020 |
| Ash (t/year) | | | |
| Produced | 1,034,177 | 453,451 | 50,261.63 |
| Recovery | 472,078 | 298,284 | 42,085.75 |
| Restoration | 0 | 0 | 0 |
| Landfill | 562,099 | 155,167 | 8,175.88 |
| Slag (t/year) | | | |
| Produced | 196,464 | 53,005 | 24,168.78 |
| Recovery | 17,190 | 38,958 | 10,274.23 |
| Restoration | 0 | 0 | 0 |
| Landfill | 179,273 | 14,048 | 13,894.55 |
| Gypsum (t/year) | | | |
| Produced | 864,235 | 391,217 | 69,554.84 |
| Recovery | 84,890 | 53,623 | 15,767.61 |
| Landfill | 779,346 | 337,594 | 53,787.23 |

As part of the internal Circular Economy process in which the company is engaged, a global project was carried out in 2020 to study the viability of recovering the waste stored in the landfills of coal-fired plants.

3. CONSERVATION OF BIODIVERSITY

103-1 Management approach Biodiversity/103-2 Management approach Biodiversity/103-3 Management approach Biodiversity/103-1 Management approach Biodiversity EUSS/103-2 Management approach Biodiversity EUSS/103-3 Management approach Biodiversity EUSS

ENDESA's Biodiversity Policy

The Global Assessment Report of IPBES (Intergovernmental Scientific-normative Platform on Biological Diversity and Ecosystem Services) presented last year 2019, warns that the current rate of degradation of ecosystems and unprecedented loss of biodiversity shows the need for measures that highlight the impacts, but above all society's dependence on nature, understood as the set of biodiversity, natural capital, and the ecosystem services that it provides us.

Adequately protecting nature's contributions to people requires a globally sustainable economy. The necessary evolution of the financial and economic systems can only be achieved in partnership with the decision-makers, in the Government, but also in an essential way, with the private sector. That is why it is essential to have assessment methods that allow us to take stock of how human activities use and/or change them.

Natural capital is the set of ecosystem services that nature provides us and that contribute directly or indirectly to the well-being of people, the development of society and the global economy. Companies such as ENDESA depend on natural capital and with their operations generate impacts on it.

In this sense, ENDESA as a company firmly committed to the protection of the environment, including biodiversity, works on innovative initiatives in terms of analysis and evaluation of the impacts and dependencies of natural capital and ecosystem services in the environment of its businesses, thus guiding all its activity towards the ultimate goal of "no loss of biodiversity".

ENDESA is committed to mitigating the potential impacts on biodiversity and ecosystem services throughout the life cycle of its activities, and with the aim of considering new approaches and commitments on the matter, for this reason ENDESA's Board of Directors approved in January 2020 the Biodiversity Policy, which includes the commitments acquired by the company in this area. It can be consulted on the company's website: <https://www.endesa.com/content/dam/endesa-com/home/sostenibilidad/medioambiente/documentos/politica-de-biodiversidad-endesa.pdf>

In order to integrate the objectives of this policy into the company's strategy and decision-making, the Biodiversity Committee has been created, which meets at least every two months and includes representatives from all the business lines of the company. During the sessions, the members of the Committee review the status of the ongoing projects of the Biodiversity Conservation Plan, present the results of recently completed projects, and propose and evaluate new project proposals. Additionally, current affairs in terms of regulation, agreements and standards in relation to biodiversity, natural capital and ecosystem services are exposed and analysed at the regional, national and international levels.

3.1. Biodiversity conservation plan

ENDESA's Biodiversity Conservation Plan (PCBE) is the instrument under which all the biodiversity measures developed by the company are executed. All the projects of this PCBE initiated after the creation of the Biodiversity Committee have the unanimous approval of all its members.

The PCBE is part of the Biodiversity Policy and one of its most important and distinctive facets, since all the actions included in this plan are carried out either completely voluntarily, or go far beyond mere mandatory environmental requirements.

The main action lines of the Plan are:

- Restoring the physical environment on the land and facilities to increase their capacity for hosting biodiversity.
- Managing the factors in the natural environment surrounding the facilities that contribute to improving the habitats of certain species.
- Recognising the natural capital, the ecosystems it is home to, their value and state of conservation.
- Preserving native species and controlling invasive species at ENDESA facilities and in the surrounding area.

The Biodiversity Conservation Plan ended 2020 with a total of 26 operational actions with the following results: 21 ongoing from previous years (3 of them were completed in 2020 and 18 continue under way) in addition to making a start on 5 new actions in 2020.

3.2. Highlights

Among the many actions carried out during 2020, the following should be highlighted:

- Studies and research:

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In 2020, a study was carried out of the bryophyte population (mosses and liverworts) of the Corta Ballesta Este, in the restored mining area of Peñarroya (Córdoba). This group of species had never before been studied in this space. The project has made it possible to add a total of 61 new species to the catalogue of flora in the area (55 bryophytes, 4 macroalgae and 2 vascular plants), bringing the catalogue to a total of 339 species. Of the 55 bryophytes observed, 6 are included in the Red List of threatened bryophytes of mainland and Balearic Spain.

- Birdlife protection actions:

304-2/304-4

In 2020 the company started a project for the recovery of lesser kestrel populations in Aragón, in conjunction with Defence and Study of the Environment (DEMA) and with the support of the Government of Aragón. The objective of the project is to reinforce the Aragonese populations of lesser kestrels, and in turn increase the existing knowledge about the use of space made by the species and the evolution of this use over time. To do this, in June 2020 several chicks were released into a nesting house with a view to consolidating the existing colony. At the same time, the project also contemplates the marking and GPS tracking of a fraction of the released specimens.

Also noteworthy is the black vulture tagging and monitoring project in the International Tagus Natural Park, a cross-border natural reserve between Spain and Portugal, which started in 2018 with the tagging and taking of biological samples of the eight chicks born that year in the colony. The marking and collection of samples continued in 2019 with another 8 specimens. During 2020, the marked specimens were monitored and their routes and use of the space were analysed. The final objective is to obtain detailed information on the dispersive movements, mortality and incorporation into the reproductive population of the juveniles born in the project colony, as well as their interaction with other Iberian colonies. The black vulture is classified as Critically Endangered in the Red Book of Birds of Portugal and Vulnerable in the National Catalogue of Threatened Species of Spain. The conservation entity Hawk Mountain Sanctuary also participates in this project.

- Projects with a socio-environmental component:

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Following its collaboration to develop a national inventory of outbreaks of oak decline or dieback in Spain, ENDESA has established a collaboration agreement between the General Directorate of Biodiversity of the Ministry for the Ecological Transition and the Demographic Challenge that will serve to carry out studies subsequent to the national inventory, where ENDESA will participate in the experience and knowledge acquired and that can be applied in the territories where it operates.

- Publications:

An article was published in the scientific journal BMC Research Notes on the trout transcriptome, a product of the ENDESA research project developed jointly with the University of Lleida and the Institut de Recerca Biomèdica de Lleida on ecological, genetic and metabolic factors of trout mobility.

- Training and dissemination events:

It is worth highlighting ENDESA's reaching the finals of the European environmental awards in the category of Business and Biodiversity for the Project "Integrated evaluation of ecosystem services in the environment of several ENDESA hydroelectric reservoirs", which highlights the importance of the conservation and sustainable use of biodiversity for ENDESA.

On the occasion of the presentation of the ENDESA Experience in Natural Capital and Ecosystem Services, a virtual working breakfast on natural capital was held by the Spanish Green Growth Group (GECV) and the Spanish Business and Biodiversity Initiative (IEEB).

The company organised the exhibition of ENDESA's experience in matters of Natural Capital and ecosystem services and of the projects of "Integrated evaluation of ecosystem services in the environment of several ENDESA hydroelectric reservoirs" and "Osprey in the Bay of Cádiz" in the SDG Ambassadors event within the CUMPLIMOS JUNTOS initiative in relation to SDGs 6, 14 and 15 (ecosystems and biodiversity), which is why it took part in the online radio programme 'Challenge: Green Circle '.

It is worth mentioning the participation in other initiatives, such as the working group of the "Life Eurokite" project in which the use of telemetry technology has been sought to identify the use of the spatial habitat of the target species and quantify the key reasons.

of the mortality of raptor species in the European Union, or the Spanish Business and Biodiversity Initiative (IEEB) working group that the Biodiversity Foundation together with the business sector, has set up to promote economic development compatible with conservation of biodiversity, facilitating a solid framework of cooperation between large companies, Non-Governmental Organisations (NGOs), associations and the Administration, joining efforts to improve and maintain natural capital in Spain.

3.3. Environmental restoration

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Since 2016 ENDESA has been making progress with its commitment to environmental restoration, through the ENDESA Forest initiative, a programme that contributes to consolidating the Company's decarbonisation path (66% reduction in CO₂ emissions relative to 2005) consisting of the reforestation of degraded and burned land at the national level through seeding and planting techniques using native forest species, as they are the best adapted to the environment (forests absorb GHGs present in the atmosphere and at the same time are a biodiversity niche).

To date, ENDESA has developed four projects in Spain, two of them registered in the CO₂ sinks section of the National Registry of Carbon Footprint, Compensation and Absorption Projects of the Spanish Office for Climate Change (OECC) under the Ministry for the Ecological Transition and Demographic Challenge, becoming a pioneering initiative in the Energy Sector. All the information on these projects can be consulted on the company's website: <https://www.endesa.com/en/projects/all-projects/energy-efficiency/environment/trees-against-climate-change->

Projects executed and registered:

- Bosque ENDESA La Atalaya (Madrid), 2017.
- Bosque ENDESA Doñana (Andalusia), 2020.

Projects executed and in the registration phase:

- Bosque ENDESA Pirineo (Catalonia)
- Bosque ENDESA Teruel (Aragón)

The initiative is a clear example of sustainability, and involves the generation of a positive impact in the environmental, economic and social spheres:

- Environmental: it involves a mitigation of climate change by absorbing CO₂ from the atmosphere, but it also contributes to generating a positive environmental impact in other areas (favouring adaptation to climate change, promoting the recovery of biodiversity, developing natural capital and ecosystem services, fighting desertification, protecting the water cycle, stopping soil degradation from run-off, among others).
- Economic: by restoring the forest, the natural capital and associated ecosystem services that it contributes to society are also recovered, especially to the nearby rural environment.
- Social: when carrying out forest restoration and maintenance work, priority is given to hiring unemployed people, young people, women, people over 45 years of age or people at risk of social exclusion in the project environment. It also has great potential as a tool to develop environmental awareness, training, dissemination and volunteering activities.

Below is a summary of ENDESA's environmental restoration actions active in 2020:

| | |
|---|--|
| Habitat area (Km ²): | 1.95 |
| Main species conserved/protected: | <i>P.pinea/ P.halepensis/ P.nigra/ Q.suber/ Q.ilex/ Q.faginea/ Sorbus aria/ Hacer monspessulanum/ C.monogyna/ Amelanchier ovalis/ Prunus spinosa/ Olea europaea/ Arbutus unedo/ Myrtus comunis/ Pyrus bourgeana/ Fraxinus angustifolia/ Malus sylvestris/ Prunus spp/ Sorbus spp.</i> |
| Description of the habitat | Forest / Meadow / Steppe / Sub-stepe |
| Comparison of the biodiversity of the original habitat before the company's activities with the biodiversity of the offset habitat: | Most of them are forest restorations of burned and/or degraded land in the national territory, through the use of native species, the choice of which takes into account the evolution of environmental and climatic parameters in the area where the project is located. In the cases associated with the restoration of spaces related to past mining exploitation (eco-restoration), it does not necessarily have to be forestry, but rather serves the objective of fully reintegrating the restored land with its immediate surroundings. |
| Work being done to improve the biodiversity of the offset habitat: | Recovery of native fauna/flora and their habitats after a fire/degradation process/mining exploitation in ENDESA's activity environment. |
| Biodiversity monitoring and notification period at offset sites: | Between 3 and 40 years |

3.4. Impacts caused by activities or operations in protected areas

304-1/304-2/EU13

As a process included in the environmental management systems implemented in ENDESA's business lines, and in accordance with the provisions of the environmental authorisations and environmental monitoring plans applicable in each case, ENDESA monitors all significant environmental aspects and ensures that in each case its environmental impact is minimised and offset. This includes in particular those facilities that are within a protected natural space.

Additionally, as a measure of the impact caused by the mere presence of ENDESA facilities in protected natural areas, the area occupied by the Company's centres and infrastructure within spaces belonging to the Natura 2000 Network (ZEC, LIC and ZEPA) has been calculated. These data have been obtained as part of ENDESA's Biodiversity Indicators System for the year 2020:

| Thermal generation | |
|---|------|
| Surface (km ²) occupied by facilities in Natura 2000 Network spaces | 1.57 |

| Renewable generation | |
|---|--------|
| Surface area (km ²) occupied by facilities in Natura 2000 Network spaces (hydroelectric generation) | 282.42 |
| Surface area (km ²) occupied by facilities in Natura 2000 Network spaces (wind generation) | 0.87 |
| Surface area (km ²) occupied by facilities in Natura 2000 Network spaces (solar generation) | 0.82 |
| Surface area (km ²) occupied by facilities in Natura 2000 Network spaces (biomass generation) | 0.01 |

| Electricity distribution. | |
|--|--------|
| Surface area (km ²) occupied by facilities in Natura 2000 Network spaces (electricity distribution lines) | 587.40 |
| Surface area (km ²) occupied by facilities in Natura 2000 Network spaces (electrical distribution substations) | 0.92 |

4. SUSTAINABLE MOBILITY

Mobility holds considerable weight in the framework of sustainable development due to its environmental impact, the associated social and economic effects, as well as the interrelationships with other sectors. The continuous growth that the sector has experienced over the past years and its foreseeable increase makes the challenge of achieving a more sustainable model a strategic priority at local, national, European and global levels.

The process for bringing about change involves raising public awareness and promoting solutions, among which electric transport figures as a key part of an integrated and sustainable urban mobility system that presents clear commercial opportunities for a company that, like ENDESA, is committed to leading the transformation towards a sustainable energy model.

ENDESA therefore has taken on sustainable mobility on board as a key element of its strategic and sustainability plans and, therefore, is developing a set of projects that cover different areas, from technological to social, promoting electric mobility as one of the main drivers towards a new energy model with zero emissions, responding to the new needs and expectations that society is increasingly demanding.

4.1. The *Movimiento-e* Sustainable Mobility Plan 2018-2020

Movimiento-e is the plan that has included all ENDESA's sustainable mobility measures. This has been the second plan that the company has put in place to focus its action on internal management directed at the company's employees and fleets. External commercial actions, due to their magnitude, fall outside the plan and are dealt with in section 4.2.1 of this chapter: ENDESA's electric mobility offer and on the company's website <https://www.endesax.com/es/movilidad-electrica>

The global environmental impact objectives of *Movimiento-e* in the 2018-2020 period were:

| Movement-e Environmental impact, Sustainable mobility plan 2018-2020 | | |
|--|--------------|-----------------|
| | Plan Results | Plan Objectives |
| Trips avoided or made by public transport | 230,650 | 650,885 |
| CO ₂ emissions avoided (metric tons) | 19,570 | 9,500 |
| NOx emissions avoided (kg) | 14,892 | 5,200 |
| Particulate emissions avoided (kg) | 2,794 | 550 |

The end of the plan was significantly affected by the COVID-19 pandemic, one of the main effects of which was on mobility, which was radically altered, implying for the purposes of the plan that certain actions had to be suspended, others intensely promoted (teleworking) and others modified relative to their original conception.

Even so, the plan had a high degree of compliance, it allowed the culture of sustainable mobility to take root in the company and demonstrated externally that sustainable mobility is already a reality full of advantages. The accumulated savings in CO₂ emissions in the 2018-2020 period were 19,570 metric tons, 206% more than the target set at the beginning of the plan.

The plan revolved around two strategic objectives:

- Promotion of modal change and the rational and safe use of employees' transport
- Promoting and encouraging the electrification of transport

4.1.1. Promotion of modal change and the rational and safe use of transport

The main objective of this strategic axis is to raise awareness among employees to reduce the need for transport and promote the use of sustainable means of transport. The results of the actions were transformed by the situation caused by the arrival of COVID-19, favouring the reduction of both work and private displacements with a positive impact on air quality.

The lines of action included in the modal change and the rational and safe use of transport are the following:

- Promoting work outside the office/from home. The goal was met 100%. Due to the COVID-19 effect in 2020, the number of people working from home was 6,357 (2,132 women and 4,225 men), which represents 66.28% of the workforce. These data include people at the end of the year with some kind of work-from-home arrangement (5 days a week or any mixed combination that includes at least one work-from home day) that is not the same as before the pandemic.
- Facilitation of flexible hours such as the implementation of the “continuous day” (start early, finish early, no lunch break).
- Promotion of means of transport other than private vehicles, through the following programmes:
 - **Car e-sharing service** by promoting pools of electric vehicles in the main headquarters for the use of employees for business purposes in order to promote their use, contribute to fuel savings and reduce emissions. Since the plan was launched in 2016, a total of 400,154 km have been clocked up. In 2020 the service was provided with 11 electric vehicles which covered 5,645 km. The service has been temporarily suspended since March 2020 as a preventive measure against the COVID-19 pandemic.
 - **Corporate shared taxi service:** Comprehensive management of corporate taxi transport with the aim of reducing emissions, contributing to sustainable and safe mobility and increasing service digitalisation and traceability, prioritising shared routes between users and that these also use ecotaxis. In 2020, 72% of the journeys were made with ECO vehicles and 38% of the passengers shared the service. The situation caused by the COVID-19 pandemic led to a decrease in the volume of the service during 2020.
 - **2-wheel mobility:** Corporate pool of electric bicycles and electric scooters available to employees for their work arrangements and to promote the use of this type of alternative mobility. The service comprises 19 electric bicycles in Madrid, Barcelona, Seville and Zaragoza, which covered 4,095 km in 2020; and 10 electric scooters in Madrid and Barcelona which covered 989 km in 2020. The service has been temporarily suspended since March 2020 as a preventive measure against COVID-19.
 - **Transport card**, with the goal of 1,050 people covered by this system in 2020, closing the year with 831 employees signed up.

4.1.2. Promoting and encouraging e-transport

This second strategic objective promotes the electrification of transport, as electricity is the most efficient energy vector and does not produce emissions. The aim of this second objective is that, when cars have to be used, they should be as non-polluting as possible, with electric vehicles playing a fundamental role in this.

The main lines of action in this area are:

- **Sustainable management of the ENDESA fleet:**

One of ENDESA's lines of action to promote sustainable mobility involves managing its own fleet. ENDESA has been implementing measures aimed at optimising its fleet for years, reducing the number of combustion vehicles and promoting electrification by opting for hybrid, plug-in hybrid and electric vehicles.

In 2020 ENDESA has an electrified fleet with a total of 185 electric vehicles, 546 plug-in hybrid vehicles and 178 hybrid vehicles, which represents a total of 44% (9%, 26% and 9% respectively) of the total fleet.

- **Promotion of the electric vehicle for employees:**

- Development of electric mobility plans for employees:

ENDESA, in line with its strategic positioning, where innovation and sustainability are fundamental lines of action, wants to involve its employees by offering specific solutions.

As part of the *Movimiento-e* programme, ENDESA launched the fifth and latest edition of the Employee Electric Mobility Plan last year, to get new employees to join in trying out the benefits of the electric vehicle (EV), thereby reducing pollutant and greenhouse effect emissions mainly caused by commuting to work.

During 2020, although there were no new additions to the Plan, the number of electric vehicles among employees was maintained since the rental contracts for those vehicles that originated in 2018 and 2019 have a duration of 3 years, therefore they will gradually expire during 2021 and 2022.

Through this initiative, ENDESA employees have become ambassadors for the mobility of the future and a benchmark for society, helping to promote electric mobility and a change towards sustainable consumption habits.

In total, thanks to the five editions of the Electric Mobility Plan for Employees, 1,250 employees have acquired electric vehicles, which means that 9.7% of the current workforce (almost 10,000 employees) now circulates with zero emissions. Thanks to this, it has been possible to avoid more than 6,800 metric tons of CO₂ during the plan period. In the same way, it contributes to developing the electric mobility market and making this sustainable form of mobility an increasingly realistic alternative for society.

ENDESA's aim is not only to promote such habits among employees but also to send a message through them to wider society, ensuring an increasing use of electric vehicles in cities and bringing this technology closer to others and favouring the improvement of air quality in cities and their corresponding impact on health.

- Promotion of the electrification of the executive fleet.

Within an e-Movement framework, ENDESA has a plan in place to electrify its executive vehicle fleet. This segment currently represents 10% of the total fleet

with 214 vehicles – thanks to the measures that make up the plan, 71% of them have already been plug-in hybrids or 100% electric.

To encourage managers to choose this type of model, the company is increasing the share they receive for leasing, providing the charging infrastructure at its headquarters. In cases where the choice remains a traditional combustion vehicle, the company limits CO₂ emissions in this segment, even beyond what is set by European guidelines.

The plan to replace the management fleet with a less polluting one is another of ENDESA's measures to develop a more sustainable energy transport model and thus improve the quality of life in cities, where more than 70% of the population will reside in 2050 (today the figure stands at 50%).

- Electrification of parking areas

During 2020, the charging infrastructure for the fleet's electric vehicles continued to be reinforced in ENDESA's administrative offices, reaching 719 installed charging points to date.

In addition to these lines of work, the plan is completed with other management actions, such as the development of local transportation plans in the territories where the company operates and an internal communication plan, which includes communication to employees through the banner on the intranet.

The development of the actions of the plan meant 85% of the achievement of the objectives set for 2020. Some of the actions of the plan were not carried out and others had lower results than expected due to the COVID-19 situation and the fact that many of the employees have been carrying out their tasks since the beginning of the pandemic from their homes.

ENDESA is proud of the overall result of the plan, which has been 102.5%, during these three years, which confirms that ENDESA has to bet on this mobility based on the change in modal use and the electrification of transport.

4.2. ENDESA's commitment to electric mobility

ENDESA, as part of its commitment to the fight against climate change, is betting on the electric vehicle as a key tool in promoting more sustainable mobility, being one of the main vectors that lead to an energy transition. Electric mobility therefore constitutes an important piece of its 2021-2023 Strategic Plan, which includes a target of 56,000 public and private access electric vehicle charging points installed by 2023.

ENDESA's commitment to sustainable mobility actually begins with the electrification of its fleets as well as the promotion of it among its own employees, successfully promoting it internally since 2015 thanks to its Employee Electric Mobility Plan, where it has helped and advised in the acquisition of different models of electric vehicles, thus demonstrating that electric mobility is possible and that it is already a reality that allows fighting against climate change, improving air quality in urban environments and people's health, as well as achieving a more sustainable energy consumption in the long term.

The democratisation and expansion of electric mobility in society also presents a great opportunity for ENDESA, which is undertaking a range of initiatives to promote its development in three complementary directions with a 360° vision:

- Promotion and dissemination of electric mobility among the population,
- Technological development focused on continuous improvement and R&D of its services to end users, whether individuals or companies,

- Defining a robust and dynamic commercial offer always adapted to the needs of all its customers at all times.

4.2.1 ENDESA's electric mobility offer for its customers

The ENDESA X Business Line promotes the development of electric vehicles as one of the main avenues in the fight against climate change, promoting electric mobility as its main instrument to facilitate a zero-emission energy model.

ENDESA X's **e-Mobility** Business Line develops and markets electric mobility solutions for residential, industrial, commercial and governmental customers, playing an active role in this area to position itself as the sector leader in electric mobility. More information can be found on the company's website <https://www.endesax.com/es/movilidad-electrica>

Public charging:

During 2020 ENDESA X continued with the plans regarding the first stage of the public charging infrastructure deployment plan in Spain, the objective of which was to reach 2,000 electric vehicle charging points installed by the end of 2020. The main objective of this first stage is to make it easier for any electric vehicle to travel anywhere in Spain in the short term.

In the second phase (2021-2023), a further 6,500 new public access charging points will be installed in various types of outlets, providing greater charging infrastructure coverage in urban areas and the main strategic transport nodes, both on the mainland and in Spain's islands, bringing the total to more than 8,500 public access charging points.

During 2019, ENDESA X launched its ENDESA X JuicePass app, which was renewed on 15 October 2020. This app allows users not only to manage the recharges of their electric vehicle directly from the mobile phone, but also to access all the detailed information of the recharging point, prices and access times, to be able to reserve a recharging point, to monitor the details of the charges in real time.

Hand in hand with this new version of the app, JuicePass has launched the first monthly subscription recharge rates on the market, thus adapting to a demand from users who need to recharge on public roads more frequently and who wish to have greater control of spending on recharge.

Private charging:

In addition to the public recharging infrastructure deployment plan, ENDESA X continues to market electric mobility services and recharging solutions for the deployment of electric vehicle recharging at a private level for both residential, business and commercial customers, as well as for public administrations. This infrastructure deployment has its greatest differential point in being connected to the intelligent and advanced charging platform, which allows remote control and assistance of the entire family of ENDESA X Juice equipment: the JuiceBox, JuicePole and JuicePump charging equipment.

- JuiceBox is the electric vehicle charger developed by ENDESA X for domestic use. JuiceBox together with the JuicePole, have also been awarded for their great functional and aesthetic design at the Compasso d'Oro 2020, the first and most recognised award in the field of industrial design.
- At the level of companies and public administrations, ENDESA X offers its global and personalised service that includes initial advice to define which solution is appropriate depending on the fleet of vehicles available. Once defined, ENDESA X offers the supply of the full range of Juice recharging equipment, their installation, their start-up and the associated maintenance of this infrastructure. ENDESA X offers fleet managers, thanks to its JuiceNet Manager platform, the management of all the information and details of each charging session made by users in their own charging infrastructure.

Finally, and as a newer point, since September 2020, ENDESA X has been marketing its new proposal 'OneELECTRIC', the first all-inclusive electric renting for companies: Electric car, insurance, maintenance and the installation of recharging points, both at the company headquarters and at the employees' homes with company vehicles.

CORPORATE GOVERNANCE AND ETHICAL CONDUCT



| | Description of the objective | 2020-2022 Targets | 2020 Profit/Loss | Key actions |
|--|---|--|--|---|
| Corporate integrity | Promotion of good governance practices | Annual supervision and report to the Audit & Compliance Committee of the Penal Risk Prevention Model | Accomplished | In 2020 a Sustainability and Corporate Governance Committee was created. |
| | Promotion of the prevention of criminal risks | Annual verification of effectiveness | Accomplished | ENDESA, during 2020, carried out a review of the Criminal Risk Prevention and Anti-bribery Model. |
| | | Maintain certification of criminal compliance and anti-bribery | Accomplished | |
| | Analysis of complaints through the ethical channel | 100% | 100% | |
| | Maintain a high level of excellence in ethical conduct and be recognised by ISR analysts (DJSI score in "Codes of conduct") | >95% | 96% | |
| | Training in ethical conduct in the last 3 years (% employees) ¹ | 100% | 100% | |
| | Presence of women on ENDESA's Board of Directors (% of women) | 30% | 31% | In December 2020, the last modification of the Director selection Policy was made, which promotes gender and age diversity. |
| | Evaluation of the Board of Directors with the support of an independent consultant | Triennial Evaluation | N/A (Triennial evaluation conducted in 2019) | In 2020, an evaluation of compliance with the human rights policy was carried out, after which an action plan was defined, development of which is planned from 2021. |
| | Evaluation of compliance with Human Rights. Supervision of the process, approval and monitoring of the action plan by the Audit and Compliance Committee. | Annual implementation and monitoring by the Audit & Compliance Committee | Accomplished | |
| Recommendations and best practices in Corporate Governance | Recommendations Action Plan | Done and approved | | |

1. CORPORATE GOVERNANCE MODEL

1.1. Leadership of the Board of Directors

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

102-22/102-23/102-18/405-1

| COMPOSITION OF ENDESA'S BOARD OF DIRECTORS AND BOARD COMMITTEES AT 31 DECEMBER 2020 | | | |
|---|---|----------------------|---------------------------|
| Board position | Name or company name with director | Category of Director | Date of first appointment |
| Chairman | Juan Sánchez-Calero Guilarte | Independent | 13-Apr-19 |
| Vice Chairman | Francesco Starace | Proprietary | 16-Jun-14 |
| Chief Executive Officer | José D. Bogas Gálvez | Executive | 7-Oct-14 |
| Director | Mrs. María Eugenia Bieto Caubet | Independent | 5 May 2020 |
| Director | Antonio Cammisecra | Proprietary | 27-Sep-19 |
| Director | Alejandro Echevarría Busquet | Independent | 25-Jun-09 |
| Director | Ignacio Garralda Ruiz de Velasco | Independent | 27-Apr-15 |
| Director | Pilar González de Frutos | Independent | 5 May 2020 |
| Director | Mrs. Maria Patrizia Grieco | Proprietary | 26-Apr-17 |
| Director | Mrs. Alicia Koplowitz y Romero de Juseu | Independent | 5 May 2020 |
| Director | Miguel Roca Junyent ⁽¹⁾ | Independent | 25-Jun-09 |
| Director | Francisco de Lacerda | Independent | 27-Apr-15 |
| Director | Alberto de Paoli | Proprietary | 4-Nov-14 |
| Secretary | Borja Acha Besga | | 1-Aug-15 |

(1) Appointment as Chairman of the Committees

For more information on the members of the Board of Directors, see the Annual Corporate Governance Report section C.1.2 Board, as well as its powers in Annex H.1 to the Annual Corporate Governance Report.

During 2020, the Board of Directors held 12 meetings. The Chairman participated in all of them.

| ENDESA'S BOARD OF DIRECTORS: SIGNIFICANT DATA 31 DECEMBER 2020 | |
|---|---------------------------|
| Total directors | 13 |
| Non-executive directors | 12 |
| Independent directors | 8 |
| External shareholder-appointed directors | 4 |
| Shares owned or controlled by members of the Board of Directors or relevant persons | 39,819 (0.00% of capital) |

The Board of Directors shall constitute, in accordance with the legal provisions, the Audit and Compliance Committee and the Appointments and Remuneration Committee.

Likewise, the Board of Directors will have a Sustainability and Corporate Governance Committee and may set up such other Committees or Commissions as may prove necessary or as it may deem fit for the better performance of its functions.

For more information on ENDESA's committees and members of the Board of Directors, see section C.2 Committees of the Annual Corporate Governance Report.

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The Regulations of the Board of Directors, in its Article 9.- Selection, appointment, ratification and re-election of Directors, establishes that: "The Board of Directors, at the proposal of the Appointments and Remuneration Committee, shall approve a specific and attestable policy for selecting candidates for the office of director, ensuring that the proposed appointments of directors are based on a previous analysis of the needs of the Board, and which favours a diversity of knowledge, experience, age and gender."

In this regard, the Board of Directors approved on 10 November 2015 a concrete and verifiable Policy for the selection of Directors (last amended on 21 December 2020, in order to technically improve the content of the Policy and to adapt to the best corporate governance practices), which

seeks to integrate different professional and management experiences and competences (including the economic-financial and legal ones specific to the business carried on by the Company, promoting, in addition, as far as possible, gender and age diversity.

Article 5 of this Policy contains a clear commitment to the promotion of gender diversity: “ENDESA is convinced that diversity in all its forms and at every level of its professional team is a key factor in ensuring the Company's competitiveness and a key element of its corporate governance strategy, which favours a critical attitude, as well as the expression of different points of view and positions and the analysis of its strengths and weaknesses.

For this, it ensures equal opportunities and fair treatment in the management of people at all levels, maximising the value contribution of those elements that differentiate people (gender, culture, age, abilities, nationality, etc.) within the Board of Directors, the Audit and Compliance Committee, the Sustainability and Corporate Governance Committee and the Nomination and Remuneration Committee, taking into account the limitations deriving from the smaller size of the Committees.

In this sense, the Director selection policy will promote the objective that by 2020 the number of female directors will represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, not being less than 30% before that.

In order to promote gender diversity in senior management, ENDESA requires in succession plans that at least half of the candidates be women.

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Likewise, Article 9 of the Regulations indicates that “The proposals for the appointment, ratification or re-election of Directors made by the Board will fall on persons of recognised prestige who have the appropriate professional experience and knowledge to carry out their duties and assume a commitment of sufficient dedication for the performance of the tasks.

Additionally, regarding the Audit and Compliance Committee, article 23 of the regulation states that “The Board of Directors shall aim to appoint members to the Audit and Compliance Committee shall be carried out such that the members as a whole have knowledge and experience in accounting, auditing, finances, internal control and management of risks, both financial and non-financial.”

1.2. Remuneration of Directors

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

Detailed information on the remuneration of the Directors of the company can be found in the documents “ENDESA Remuneration Policy” and “Annual Report on Directors’ Remuneration” published on the company’s website.

The following is the average remuneration of the Directors in their capacity as such, in 2019 and 2020:

| Thousands of euros | Overall average | | Average for men | | Average for women | |
|--|-----------------|-------|-----------------|-------|-------------------|-------|
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Remuneration of Board members¹ | | | | | | |
| Fixed Assignment Board members | 187.7 | 187.7 | 187.7 | 187.7 | 187.7 | 187.7 |
| Board and Committee attendance fees | 39.9 | 30.8 | 44.7 | 34.0 | 27.7 | 28.9 |
| Remuneration of Board and Committee positions | | | | | | |
| Fixed Assignment Chairman of the Board of Directors | 600.0 | 600.0 | 600.0 | 600.0 | - | - |
| Fixed Assignment Chairman of the Committees | 12.0 | 12.0 | 12.0 | 12.0 | - | - |
| Fixed Assignment Coordinating Director | 25.0 | 25.0 | 25.0 | 25.0 | - | - |

¹Given that three of the ENDESA Directors joined the Board on 5 May 2020, the allowances have been annualised so that the results of the comparison are homogeneous.

The Board of Directors of ENDESA consisted of 13 Directors at 31.12.2020. However, the data are calculated on the nine Directors (five men and four women) who receive remuneration as such. The four remaining Directors (all men) have renounced all payment as Directors in their capacity as such and that is why, in order not to distort the average, their inclusion has not been considered.

In ENDESA there is no gender gap in the remuneration of Directors, since the amounts of the remuneration items are the same for men and women. The difference of 29% in the average remuneration is due to two fundamental reasons: on the one hand, in the “fixed” part, to the fact that the positions of Chair of the Committees and Coordinating Director have an additional remuneration and in the case of ENDESA these positions are not held by any female Director, and on the other hand, in the “allowances” part, to the fact that they are associated with belonging to the Board Committees and attending meetings.

1.3. Responsibilities and duties of the Directors

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The responsibilities and duties of the Directors are developed in the Regulations of the Board of Directors of ENDESA in its TITLE VII OBLIGATIONS OF THE DIRECTORS (<https://www.endesa.com/content/dam/enel-es/home/inversores/gobiernocorporativo/normativainterna/documentos/Regntación%20del%20Consejo-28.09.20.pdf>).

Duty of diligence (Article 25.bis of ENDESA's Board of Directors Regulations): “Directors shall carry out their position and perform the duties imposed thereon by law, the Articles of Association and these Regulations with the diligence of a prudent businessman, taking into account the nature of the position and duties attributed to the Director.”

Duty of loyalty (Article 26 of the Regulations of the Board of Directors of ENDESA): “Directors shall act as loyal representatives in performing their duties, acting in good faith and in the best interests of the Company, interpreted with full independence, and they shall ensure at all the times that the interests of the shareholders as a whole, from whom their authority originates and to whom they are accountable, are best defended and protected.”

Duty of confidentiality (Article 27 of the Regulations of the Board of Directors of ENDESA): “The Directors, even after ceasing to perform their duties, shall keep all deliberations, information, data, reports and records to which they had access in carrying out their position confidential, and in general see to it that the confidentiality of the aforementioned items is preserved, even when they have ceased to hold said office, except in such cases as required or permitted by law.”

Conflict of interest (Article 28 of the Regulations of the Board of Directors of ENDESA): “Directors shall take the necessary measures to avoid becoming involved in situations in which

their interests, whether personally or on behalf of another party, may conflict with the corporate interest and their duties to the Company.”

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

- Carrying out transactions with the Company, except in the case of ordinary operations, carried out under standard conditions for customers and of little significance.
- Using the Company’s name or using their status as a Director of the Company to unduly influence private transactions.
- Using corporate assets, including the Company’s confidential information, 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 for performing their duties, except for minor hospitality.
- Performing activities, whether for themselves or on behalf of third parties, potentially or actually involving effective competition with the Company or which, in any other manner, place the Director in a permanent conflict of interest with the Company.

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

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

Directors shall abstain from participating in the deliberation and voting on agreements or decisions regarding which they and/or a related person has a direct or indirect conflict of interest. Agreements or decisions that affect their status as Directors, such as their appointment to or removal from roles on the Board of Directors, its Committees and the Executive Committee, or other analogous agreements or decisions shall be excluded from the aforementioned obligation to abstain.

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

Duty of information (Article 28.bis of the Regulations of the Board of Directors of ENDESA): “Directors must notify the Company, through the Secretary to the Board of Directors, of any situation of conflict, direct or indirect, that they may have with the interest of the Company, any type of investigation or criminal judicial claim, national or foreign, in that they are involved, related or not with their performance in the Company, as well as the unfolding thereof and any other situation that affects the director and that may harm the credit and reputation of the Company; and in general, any event or situation that may be relevant to his or her performance as a director of the Company. ”

1.4. Sustainability governance and management system

102-18/102-19/102-20/102-21/102-26/102-27/102-29/102-30/102-32

In order to guarantee its commitment to Sustainability, ENDESA has a sustainability governance and management system that involves all areas of the company and which found expression in 2020 with the creation of a Sustainability and Corporate Governance Committee.

This Committee is made up of a minimum of three and a maximum of six members of the Board of Directors, always by non-executive directors and with a majority of independent directors. The Chairman has been appointed by the Board of Directors from among the Independent Directors on the Committee.

The Sustainability and Corporate Governance Committee shall meet as often as convened by its Chairman, when so resolved by a majority of its members or at the request of the Board of Directors.

In this way, the Board of Directors, by entrusting the functions to the Sustainability and Corporate Governance Committee, is responsible for:

- Reporting on proposals for modifying the Company's mission, vision and values and ensuring that the corporate culture is aligned with those.
- Periodically reviewing the Company's sustainability and environmental policies.
- Monitoring the Sustainability Plan or sustainability strategy and periodically assessing the degree of compliance with the defined objectives
- Receiving information on the incorporation and position of the ENDESA Group in the most recognised international sustainability indices.
- Reviewing and monitoring policies on diversity and integration, equal opportunities, work-life balance, ethics and conduct.
- Monitoring the ENDESA Group's strategy for social action and its sponsorship and patronage plans, as well as the activities carried out by the ENDESA Foundation.
- Verifying that the non-financial information statement is in line with the ENDESA Group Sustainability Plan.
- Reporting and supervising compliance with the Corporate Governance Policy of the Company and the Group and its modifications, as well as the rest of the internal corporate policies and regulations of the Company that make up ENDESA's corporate governance system, except in matters that fall within the competence of other Committees.
- To monitor compliance with the Company's corporate governance rules and regularly assess whether the corporate governance system is appropriate with a view to ensuring that its objective of promoting corporate interests is met, considering, as applicable, the legitimate interests of the remaining interest groups.
- Issuing a report on the content of the Annual Corporate Governance Report, before its approval by the Board of Directors.
- Evaluating compliance with the good governance recommendations applicable to the Company, as well as the decisions that may have an impact on their monitoring.
- To monitor the strategy for communications and relations with shareholders, investors (including small and medium shareholders) and interest groups, in accordance with the

Policy on Communication and Relationships with Shareholders, Institutional Investors and Voting Advisors.

In addition, ENDESA has an Audit and Compliance Committee whose functions include:

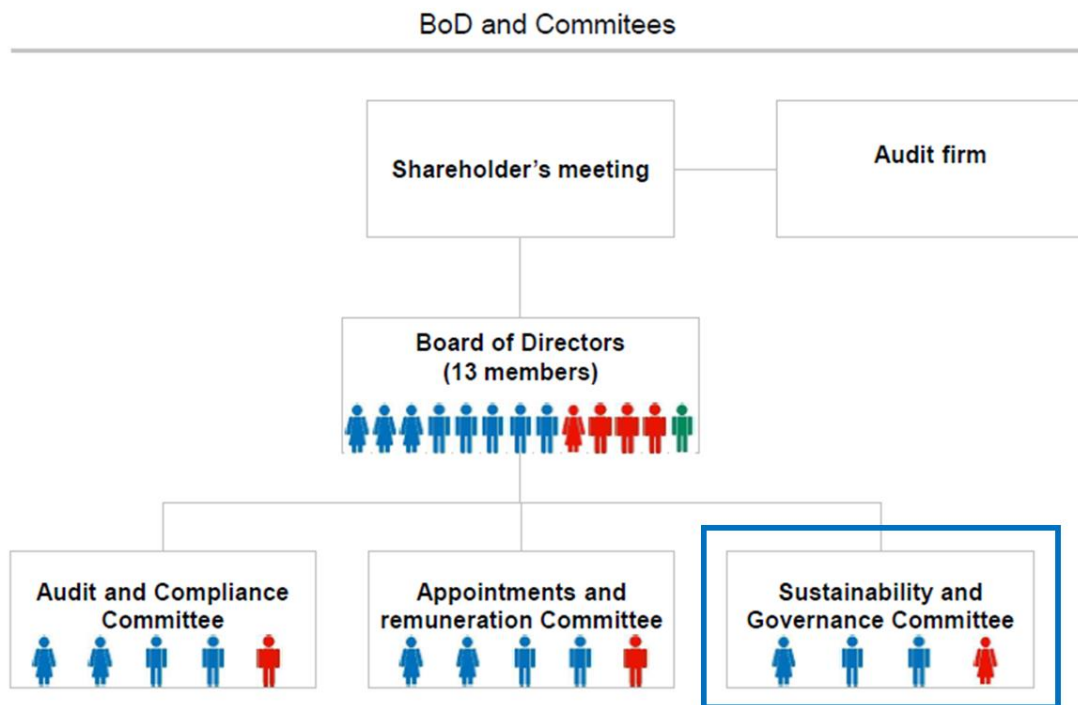
- Monitoring the preparation and presentation of all required financial and non-financial information and presenting recommendations or proposals to the governing body aimed at safeguarding the integrity thereof.
- To notify the Board of Directors of any proposed amendments to the Company Code of Ethics and to monitor compliance therewith.

On the other hand, the Executive Management Committee, made up of the CEO and the General Managers, is the executive body in charge of developing and implementing ENDESA's sustainability strategy and ensuring the integration of social, environmental and ethical aspects into the top level decision-making processes.

Sustainability management in ENDESA is a transversal matter for the whole company and in order to extend the sustainability strategy and incorporate ENDESA's specific local features, there are seven regional sustainability committees, chaired by the Company's highest representative in the territory, the main functions of which are to enhance and complement the lines of action established in the sustainability plan by fine-tuning ENDESA's performance to local conditions and translating the objectives and commitments into the reality on the ground.

Lastly, the General Sustainability Directorate, which reports directly to the CEO and is present on the Executive Management Committee, assumes the functions of coordinating and promoting ENDESA's sustainability strategy.

We present hereunder ENDESA's Corporate Governance Organisation Chart, which shows the place where the Sustainability and Corporate Governance Committee is located, as well as the number of people it comprises and their gender:



1.5. Creating value for shareholders

1.5.1 ENDESA's stock market performance

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The Spanish IBEX-35 index occupied the last position among the main world stock indices in 2020 after a turbulent year of great volatility, marked by the COVID-19 pandemic and its unpredictable economic consequences.

It should be noted that, despite the negative macroeconomic data, all the stock exchanges recorded a notable recovery from the March lows.

The IBEX-35 finally closed the year with a cumulative fall of 15.45%, affected by the high exposure of the Spanish economy to the tourism sector, the most penalised by COVID-19, and by the poor performance of the financial-banking sector in an ongoing scenario of low interest rates.

Most of the IBEX-35 stocks ended 2020 in losses, but 9 of them managed to end up positive, with companies focused on renewable energy and companies in the pharmaceutical sector standing out. Among the worst performers were banks and insurance companies, companies related to the tourism sector and companies in the energy sector most affected by the falls in the price of oil and natural gas. ENDESA, S.A. shares performed second best in the IBEX 35 Energy sector, and tenth best in the IBEX-35 as a whole.

In a very similar evolution to that of the IBEX-35 index, ENDESA's shares reached their annual maximum on 19 February 2020 at Euros 26.12 per share, a historical maximum level achieved in light of the good earnings expectations that were being discounted at that time in the market. Just one month later, on 16 March 2020, ENDESA's shares reached the annual minimum at Euros 15.5 euros, affected by the declaration of the State of Alarm and the start of the nationwide lockdown. At that time, the cumulative a loss relative to the beginning of the year was 34.85%.

The lifting of the lockdown restrictions at the end of the second quarter, the optimism generated in the sector by the European Recovery Plan and the favourable expectations regarding the update of ENDESA's Strategic Plan in November, with a strong commitment to energy from renewable sources and digitisation, favoured the stock's recovery, and it finally closed the year at Euros 22.35 euros per share. This closing value represented an annual drop in the price of 6.05%.

The high volatility of the market in 2020 was also reflected in an increase in the accumulated trading volume in ENDESA shares, which amounted to 431 million shares and total cash of Euros 9,696 million, 6.7% and 4.5% higher than the previous year, respectively. The average volume of shares traded in each session was 1,676,877, 5.8% more.

Total shareholder return, calculated as the sum of the stock market return and dividend yield, was 0.15% in 2020. Added to the 6.05% positive stock market return are the Euros 1.475 per share distributed as a dividend from 2019 earnings, which gave an additional dividend yield of 6.2%.

| Main statistical data of ENDESA shares in 2020 | | | | | | | |
|--|--------|--------|--------|---------|----------------------|----------------|-----------------------------|
| Computer-assisted trading system | High | Low | Medium | Closing | % Annual revaluation | % Total return | Volume of securities traded |
| ENDESA (€/share) | 26.120 | 15.500 | 22.677 | 22.350 | -6.1% | 0.2% | 430,957,400 |

Source: Madrid Stock Exchange

At the end of the year, ENDESA's market capitalisation stood at Euros 23,663 million, placing it as the seventh largest capitalisation of the Ibex-35, one position above the previous year.

| Main statistical data of ENDESA shares in 2020 | | | |
|--|---------------|---------|--------------------|
| ENDESA | Euro Stoxx 50 | IBEX-35 | DJ Euro Stoxx Util |
| -6.1% | -5.1% | -15.5% | 9.8% |

1.5.2 Dividend

103-1 Management Approach: Economic Performance / 103-2 Management Approach: Economic Performance / 103-3 Management Approach: Economic Performance

In line with the Dividend Policy approved by ENDESA's Board of Directors on 26 November 2019 for the period 2019-2022, ENDESA's General Shareholders' Meeting held on 5 May 2020, approved the distribution of a total ordinary dividend charged to the final profit for financial year 2019 for a gross amount of Euros 1.475 per share, an amount equivalent to Euros 1,562 million in total.

This dividend was paid to shareholders in two cash payments made on 02 January 2020, Euros 0.70 gross per share (Euros 741 million in total), and 01 July 2020, Euros 0.775 gross per share (Euros 821 million).

For the coming years, the Dividend Policy for the 2020-2023 period, approved by the Company's Board of Directors at its meeting held on 25 November 2020, establishes that the Board of Directors will see to it that for 2020 the ordinary dividend per share approved for distribution for that year will be equal to 100% of the net ordinary profit attributable to the Parent Company in the consolidated financial statements of the Group headed by it.

For financial year 2021, the Board of Directors will ensure that the ordinary dividend per share that is agreed to be distributed for the year is equal to 80% of the net ordinary profit attributable to the Parent Company in the Group's consolidated annual accounts.

For 2022 and 2023, the Board of Directors will ensure that the ordinary dividend per share approved for distribution for the year is equal to 70% of the net ordinary profit attributable to the Parent Company in the Group's consolidated financial statements.

With regard to ordinary dividends charged to 2020 results, ENDESA, S.A.'s Board of Directors agreed to distribute to its shareholders an interim dividend for a gross amount of Euros 0.70 per share.

The payment of this dividend, which represented an approximate disbursement of Euros 741 million was made effective on 04 January 2021.

1.5.3 Profitability

103-1 Management Approach: Economic Performance / 103-2 Management Approach: Economic Performance / 103-3 Management Approach: Economic Performance

The total return for ENDESA shareholders reached a positive value of 0.15% in 2020, since the return provided by the dividends paid in the year, 6.20%, offset the 6.05% depreciation of the share.

In the last five years, the average total return to ENDESA shareholders has been 11.08%.

| Evolution of total return to ENDESA shareholders 2016-2020 | | | | | |
|--|--------|---------|--------|--------|--------|
| ENDESA share | 2016 | 2017 | 2018 | 2019 | 2020 |
| Revaluation | 8.64% | -11.28% | 12.74% | 18.18% | -6.05% |
| Dividend yield | 5.54% | 6.62% | 7.74% | 7.09% | 6.20% |
| Total return | 14.18% | -4.66% | 20.48% | 25.27% | 0.15% |

The total return on the ENDESA share in 2020 was + 0.15%

1.6. Shareholder participation

On 5 May 2020 ENDESA held its Ordinary General Shareholders' Meeting with a participation of 85.33% of the capital.

1.6.1. Transparency and closeness with shareholders and investors

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ENDESA maintains a constant relationship with its shareholders, with private and institutional investors, and with the main stock market analysts, providing continuous, detailed information through the Investor Relations Department and the Shareholder Office, located in Madrid.

In this regard, on 11 November 2015 ENDESA's Board of Directors, in accordance with the Code of Good Governance of Listed Companies, approved the "Policy Regarding Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors", which was revised on 21 December 2020. The objective of this Policy is to define and establish the principles and criteria that govern the actions of communication and contacts with shareholders, institutional investors, proxy advisors, and in general with the markets and public opinion, regarding financial, non-financial and corporate information (regulated or voluntary), as well as maximising its dissemination and ensuring the quality of the information transmitted through the media, social networks and other channels.

The general principles by which this policy is governed are transparency, immediacy, continuous information, equal treatment, affinity with the social interest and regulatory compliance.

The Audit and Compliance Committee, the Sustainability and Corporate Governance Committee and the Nominations and Remuneration Committee will be the bodies in charge of supervising, within the scope of their respective competences and in accordance with the internal regulations

of the Company, the communications that the Company carry out with shareholders and investors, proxy advisors and other stakeholders, and reporting them to the Board of Directors.

Additionally, the Sustainability and Corporate Governance Committee receives information on the Company's communication strategies with different stakeholders, such as employees, customers, suppliers and society in general.

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.

In compliance with this policy, in their meetings on 21 December 2020, the Committees supervised the Strategy for Communication and Relations with Shareholders, Investors and other Stakeholders for the year 2020.

The conclusions indicated that ENDESA's information dissemination channels function properly and are carried out in accordance with the general principles of ENDESA's Policy and in accordance with best corporate governance practices.

1.6.2. Investor Relations Department

102-43

Among the activities carried out by the Investor Relations Department in 2020, it is worth highlighting the public presentations made to analysts and investors about the Company's quarterly results and the update of its Strategic Plan for 2021-2023 on 25 November 2020.

During 2020, ENDESA carried out three Non Deal Roadshows. The first one took place in Europe and the United States during February and March, after the presentation of results for 2019. The second one, also in Europe and in the United States, took place in May, after the presentation of results for the first quarter of 2020. The third one, also in Europe and the United States, took place in November and December, following the presentation of the update of the 2021-2023 Strategic Plan, with the aim of informing the Company's main investors about the Plan in depth. In these three Roadshows, ENDESA met with a total of 143 investors.

ENDESA also participated in six Reverse Roadshows in Madrid. At which it had meetings with 125 investors.

ENDESA's Investor Relations Department also attended a total of 13 international conferences on the sector, meeting with 196 investors.

It should be noted that, due to the COVID-19 health alert, all meetings with investors since mid-March have taken place virtually.

As part of its daily activity, the Investor Relations Department answered a total of 818 enquiries from analysts, investors and rating agencies by telephone, e-mail or in virtual or face-to-face meetings.

Finally on 5 May 2020, ENDESA held its Ordinary General Meeting, in which all the items on the agenda were approved, with 85.33% of the share capital in attendance.

1.6.3. The ENDESA Shareholder Office

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One of the most important channels that the company makes available to its private individual shareholders is the “Information for Shareholders and Investors” channel on its corporate website (www.endesa.com)

In 2020, 1,231 telephone calls were handled by the ENDESA Shareholder Office, which also sent out 1,651 documentary dispatches. As a result of the health alert caused by COVID-19, no shareholder visits were received in 2020.

The Shareholder Office dealt with 2,882 requests from shareholders

| Type of information requested from ENDESA's Shareholder Office in 2020 | |
|--|-----|
| Dividends | 17% |
| ENDESA information | 30% |
| General Meetings | 14% |
| Economic-financial information | 30% |
| Quotation | 10% |

1.7. Tax Transparency

103-1 Tax Management Approach/103-2 Tax Management Approach/103-3 Tax Management Approach

1.7.1. Tax policy

207-1/207-2

ENDESA complies with tax regulations as part of the principles that inspire the company's corporate responsibility, applying responsible tax policies and promoting cooperative and transparent relations with the Tax Administrations.

The Board of Directors of ENDESA, in its meeting of 20 December 2010, agreed ENDESA's adherence to the Code of Good Tax Practices. Likewise, on 25 January 2016, it ratified the adherence of ENDESA, S.A. and its Spanish controlled subsidiaries to the Code, after the incorporation of an Annex with new conduct obligations for both the Company and the Administration.

For its part, ENDESA's Board of Directors, in its meeting on 21 December 2020, agreed that ENDESA and its controlled subsidiaries and branches in France and Portugal should subscribe to the Codes of Good Tax Practices existing in those countries.

In compliance with the Corporate Governance rules on tax matters and the provisions of the Code of Good Tax Practices, ENDESA's Head of Tax Affairs periodically informs the Audit and Compliance Committee of the company's tax situation.

Every year ENDESA prepares and submits an Enhanced Transparency Report to the State Tax Administration Agency in which it breaks down the information that ENDESA voluntarily presents to the Administration in accordance with the provisions of the Annex to the Code of Good Tax Practices. On 16 July 2020 it presented the Report for the year 2019.

Apart from this, and in compliance with the provisions of Law 31/2014 of 3 December amending the Corporate Enterprises Act, on 15 June 2015 ENDESA's Board approved both the ENDESA Tax Strategy (<https://www.ENDESA.com/content/dam/enel-es/home/inversores/gobiernocorporativo/politicascorporativas/documentos/estrategia-fiscal-2017.pdf>) and ENDESA's Risk Management and Control Policy, which includes tax risks, subsequently updated on 19 June 2017 (<https://www.ENDESA.com/content/dam/enel->

es/home/inversores/gobiernocorporativo/politicascorporativas/documentos/Politica%20de%20Control%20y%20Gesti%C3%B3n%20de%20Risgos%20de%20ENDESA%20(16_12_19).pdf). ENDESA's Tax Strategy establishes as a guideline compliance with current tax regulations and the adoption at all times of a reasonable interpretation thereof. Likewise, a series of behaviours that may not be aligned with that guideline are expressly renounced, such as carrying out operations that pursue a tax advantage, structures of an artificial or opaque nature, etc.

Likewise, on 30 January 2017 ENDESA's Board approved ENDESA's Tax Risk Control and Management Policy, which aims to establish a tax control framework within the company. It was updated on 4 May 2020 to comply with the requirements of the UNE 19602 standard on Tax Compliance Management. (<https://www.endesa.com/content/dam/enel-es/endesa-en/home/investors/corporategovernance/corporatepolicies/documents/Pol%C3%ADtica%20de%20Gesti%C3%B3n%20y%20Control%20de%20Riesgos%20Fiscales%2004.05.2020%20EN.pdf>).

ENDESA COMES FIRST IN THE TAXPAYER'S TRANSPARENCY REPORT FOR THE SECOND YEAR IN A ROW

ENDESA has been recognised as the company that best reports on tax matters for the second consecutive year according to the 2019 Taxpayer's Transparency Report ranking published by the Compromiso y Transparencia Foundation.

The Report, for which ENDESA scored 24 points out of 24, highlights ENDESA's best practices in tax matters, such as the section on the website called "Transparency in compliance with tax legislation", which has been improving year after year, where it reports in detail, among other issues, on its Tax Strategy, its Tax Risk Management and Control Policy, its commitments regarding Cooperative Compliance, its Tax Payments, the status of its main tax inspections and disputes, the reconciliation of Corporate Tax Expense and, in general, all the tax information incorporated in both the Financial and Non-Financial information of the company; as well as the existence of a tax compliance control system in accordance with the UNE 19602 standard.

This recognition reflects ENDESA's degree of commitment in terms of tax transparency and responsibility for the economic and social contribution it makes in the jurisdictions in which it operates.

ENDESA obtained AENOR certification for its Tax Management Compliance System under the UNE 19602 Standard.

1.7.2. Relations with Stakeholders

207-3

ENDESA is firmly committed to endeavouring to explain in a transparent way tax matters that may be of interest to third parties. One of the company's values is tax transparency vis-à-vis third parties (shareholders, customers, suppliers, employees, regulators, Tax Administrations, etc.) on the principles of action in tax matters, on the bodies involved in ENDESA's tax governance and on the details of its tax payments in the countries where it operates.

In this sense, ENDESA provides through its website, in a single space, information with tax relevance for third parties, trying to ensure that it is permanently updated, so that it is an information space that is easily accessible and understandable within the reach of anyone (<https://www.endesa.com/en/our-commitment/transparency>).

In addition, starting in 2020 ENDESA now publishes an annual report on Tax Transparency which brings together all the information with tax content available on its website.

Likewise, ENDESA actively participates in different forums on taxes, sustainability and corporate social responsibility, keeping up to date with news and practical improvements in the matter, the opinions and issues discussed in these forums serving for the continuous review of the information that is provided to the outside. It forms part of the tax committees of the Spanish Gas Association (SEDIGAS), the Association of Electric Power Companies (AELEC) and the Spanish Confederation of Business Organisations (CEOE); in the latter case ENDESA participates on behalf of SEDIGAS. ENDESA is a member, through the head of its Tax Affairs Unit, of the Spanish Association of Tax Advisors (AEDAF). In 2019, Enel (ENDESA's Parent Company) joined the European Business Tax Forum (EBTF - <https://ebtforum.org>), an association that aims to open a public debate on taxation by providing a balanced and comprehensive perspective on the tax that companies pay.

ENDESA is part of the Large Companies Forum (a cooperative relationship body to promote greater collaboration between large companies and the State Tax Administration) and actively participates in it through two working groups.

In 2020, ENDESA's participated in the Report prepared by PwC on the Total Tax Contribution of IBEX 35 companies in 2019, which aims to study and promote the Total Tax Contribution of this group.

1.7.3. Tax contribution

207-4

In line with ENDESA's commitment as regards tax management, since 2014 the most significant tax payments made in the countries in which it operates, which are mainly Spain and Portugal, have been voluntarily published, demonstrating its commitment to transparency in paying taxes.

ENDESA's activity not only generates an important direct contribution to the Administration through the payment of taxes, but also a notable contribution through the collection of third-party taxes generated as a result of the company's activity.

In 2020, ENDESA's total tax contribution amounted to Euros 3,484 million, of which Euros 1,410 million refer to amounts paid by the group and Euros 2,074 million to amounts collected as a result of ENDESA's business activity.

| ENDESA's total tax contribution in 2020 | | | | | | | | | | |
|---|-------------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|--------------|-------------------|
| | Millions of Euros | | | | | | | | | |
| | Amounts paid | Amounts collected | Amounts paid | Amounts collected | Amounts paid | Amounts collected | Amounts paid | Amounts collected | Amounts paid | Amounts collected |
| | Spain | | Portugal | | France | | Germany | | Netherlands | |
| I. TAXES PAID IN THE CONSOLIDATED TAX GROUP: | | | | | | | | | | |
| INCOME TAX | 207 | | | | | | | | | |
| Corporation Tax ¹ | 207 | | | | | | | | | |
| SUBTOTAL TAXES PAID TAX GROUP | 207 | | | | | | | | | |
| II. TAXES PAID TO THE TREASURY: | | | | | | | | | | |
| INCOME TAX | 36 | 74 | 10 | 0 | 3 | 0 | -2 | 0 | 0 | 0 |
| Corporate Income tax | 12 | | 10 | | 2 | | -2 | | | |
| Tax on Trading Income | 23 | | | | 1 | | | | | |
| Other withholdings | 1 | 74 | | | | | | | | |
| PROPERTY TAXES | 70 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Real Estate Tax (municipal) | 66 | | | | | | | | | |
| Others ² | 4 | | | | | | | | | |
| TAXES ASSOCIATED WITH EMPLOYMENT | 135 | 253 | 1 | 1 | 2 | 0 | 0 | 0 | 0 | 0 |
| Payments made to the Social Security system ³ | 135 | 27 | 1 | 1 | 2 | | | | | |
| Withholding on earned income | 0 | 226 | | | | | | | | |
| TAXES ON PRODUCTS AND SERVICES | 202 | 974 | 0 | 147 | 0 | 38 | 0 | 34 | 0 | 6 |
| VAT paid ⁴ | 2 | 974 | | 147 | | 38 | | 34 | | 6 |
| Public Domain Utilisation Fee | 173 | | | | | | | | | |
| Miscellaneous public domain charges and others ⁵ | 27 | | | | | | | | | |
| ENVIRONMENTAL TAXES | 731 | 449 | 15 | 9 | 1 | 45 | 0 | 28 | 0 | 16 |
| Tax on the value of electricity production | 254 | | | | | | | | | |
| Nuclear fuel tax | 134 | | | | | | | | | |
| Hydroelectric fee | 32 | | | | | | | | | |
| Nuclear Services Fees | 202 | | | | | | | | | |
| Environmental Taxes (regional) and others | 99 | | 15 | | 1 | | | | | |
| Tax on Electricity | 0 | 415 | | 4 | | | | 28 | | 11 |
| Hydrocarbon Tax | 1 | 34 | | 5 | | 45 | | 0 | | 5 |
| Coal Tax | 9 | | | | | | | | | |
| SUBTOTAL TAXES PAID⁶ | 1,174 | 1,750 | 26 | 157 | 6 | 83 | -2 | 62 | 0 | 22 |

¹Given that the requirements set forth in Chapter VI of Title VII of Law 27/2104 of 27 November on Corporation Tax are met, since 2010 ENDESA and certain subsidiaries resident in Spain have been part of the Tax Consolidation Group whose parent company is Enel S.p.a., the company representing the Tax Group in Spain being Enel Iberia. It is this company that, as the entity representing the Tax Group, maintains the ultimate relationship with the Public Treasury regarding this Tax.

²The amount related to "Others" within the Property Tax category, refers mainly to the Tax on the Increase in Value of Urban Land, the Tax on Construction, Installations and Works and Fees for licences and authorisations for works.

³The Social Security amounts paid by ENDESA in Spain are included, since, in line with the philosophy implemented by the OECD in analysing a country's tax burden, they are mandatory contributions that generally constitute a significant part of the state's income and, given that they are imposed rather than voluntary contributions, they are clearly analogous to a tax.

⁴Regarding VAT paid, the amount reported is the difference between output VAT and deductible input VAT.

⁵The item 'Other public domain charges' includes amounts mainly related to the concession and regulation of dams, public rates and others.

⁶Where applicable, each tax item includes amounts paid by way of outlay resulting from inspection proceedings and voluntary regularisations, as well as returns received during the year. Delay interest or surcharges are not included, as they are considered not to be part of the tax contribution.

| | Amounts paid | Amounts collected | Total |
|------------------------|--------------|-------------------|-------|
| TOTAL TAX CONTRIBUTION | 1,410 | 2,074 | 3,484 |

| OTHER REGULATORY PAYMENTS ⁷ | |
|--|-----------|
| "Social Bonus" (special cheap rate) (Spain) | 48 |
| "Social Bonus" (special cheap rate) (Portugal) | 14 |
| Energy Efficiency (Spain) | 27 |
| Others (France) | 4 |
| SUBTOTAL OTHER REGULATORY PAYMENTS | 93 |

⁷Likewise, 'Other Regulatory Payments' are reported separately; these are paid to the Authorities by ENDESA as a statutory requirement, a consequence of the regulation of the sector in which it operates, although these are not strictly taxes and therefore cannot be included in the Total Tax Contribution, specifically:

- Energy efficiency: gas and electricity supply companies are obliged under the energy efficiency obligation system to make an annual financial contribution to the national energy efficiency fund. This obligation was instituted by Royal Decree 8/2014 of 4 July.
- "Social bonus" (special cheap rate): obligation of companies owning electricity generation facilities to contribute to the financing of the "social bonus" imposed by Law 24/2013 of 26 December.
- Others: corresponds to the payment in France to a Government Association regarding the gas tax to finance pensions in the sector.

| | Amounts paid | Amounts collected | Total |
|--|--------------|-------------------|-------|
| Total payments to public administrations | 1,503 | 2,074 | 3,577 |

The scope of companies can be consulted in Annex I, "companies that make up ENDESA", of the consolidated financial statements.

As a sign of its commitment to society in general and to equality and social cohesion in particular, ENDESA allocates 0.7% of its tax payable amount to the Third Sector, contributing to the financing of social projects.

Main Trends in Total Tax Contribution for 2020 compared with 2019

Context:

The adverse economic conditions due to the crisis produced by the COVID-19 pandemic led to a contraction in the demand for electricity and gas during 2020, which had an impact on the macroeconomic variables of the ENDESA Group. During 2020 the mainland coal-fired power plants ceased operation as planned.

Consistent with the contraction in demand and the reduction in prices for energy products, the total tax contribution decreased by 15% compared with 2019. In 2020, ENDESA's total tax contribution amounted to Euros 3,484 million, of which 40% corresponded to taxes incurred that represented a cost to ENDESA and 60% referred to taxes collected by ENDESA in carrying out its economic activity. Spain has been the jurisdiction where ENDESA has most contributed to the payment of taxes, representing 90% of the total taxes paid and collected in the year 2020.

Details of changes 2019-2020:

In Spain, taxes borne decreased by 15%, mainly as a consequence of the following variables:

- In Corporation Tax, the decrease was basically due to two issues.
 - Reimbursements deriving from definitive declarations: In January 2020, reimbursement of the 2018 Corporation Tax was received, and in addition reimbursement corresponding to the final declaration for 2019 was received. Normally this refund would be received in January 2021, but in this case there are cash inflows in respect of two definitive declarations in the same year.
 - Impairment of coal plants. In 2020 the advance payments of Corporation Tax were reduced by the recovery of part of the accounting impairment of the coal plants recognised in 2019.
- There was a decrease in taxes on products and services (TOVP and other rates and royalties) associated with the fall in energy sales.
- Regarding environmental taxes, there are no significant differences because the effect of the fall in the Coal Tax and the Tax on the state hydraulic fee (produced in the first case by a lower use of this fuel and in the second by lower income from electricity production), is offset by the approval in 2020 of a new Ecotax in Catalonia and the update of the rate for nuclear services, which implies a higher cost.

Taxes collected in Spain decreased by 15%, mainly due to the following aspects:

- The increase in taxes associated with employment as a result of the increase in wages after the signing of the New Framework Agreement of the ENDESA Group was diluted with the reduction of the rest of the taxes collected.
- There was a decrease in VAT paid, mainly linked, on the one hand, to the contraction of sales and energy consumption during 2020, as well as to the increase in the Coefficient of Coverage in the part of renewable energies in Settlement No. 10 (the definitive one for 2019) with a direct impact on the Distribution business.
- There was also a reduction in the environmental taxes collected (special taxes on electricity and hydrocarbons), due to the drastic fall in 2020 in electricity consumption and energy demand.

Regarding the rest of the countries (Portugal, France, Germany and the Netherlands), there was a 50% increase in taxes borne due to the improvement in the tax result of the ENDESA Energía Branch in Portugal. On the other hand, taxes collected decreased by 2%, mainly due to the contraction in the demand for electricity and gas.

The details of ENDESA's tax contribution can be consulted on the corporate website, where it is possible to download the Report on Total Tax Contribution 2020, prepared by PwC (<https://www.endesa.com/en/our-commitment/transparency/tax-information-breakdown>).

Breakdown of total tax contribution and accounting results by geographical region

Spain was, logically enough, the jurisdiction where ENDESA paid most in taxes, representing more than 90% of the total taxes paid and collected by ENDESA in 2020.

| Total amount of payments made to Public Administrations Breakdown by country where ENDESA operates | | | | | | |
|---|--------------|------------|-----------|-----------|-------------|--------------|
| Millions of Euros | | | | | | |
| Country | Spain | Portugal | France | Germany | Netherlands | Total |
| Tax borne | 1,381 | 26 | 6 | -2 | 0 | 1,410 |
| Tax collected | 1,750 | 157 | 83 | 62 | 22 | 2,074 |
| Total Tax Contribution | 3,131 | 183 | 89 | 60 | 22 | 3,484 |

| | | | | | | |
|---------------------------------------|-----|----|----|----|----|------|
| Tax Contribution as % of total | 90% | 5% | 3% | 2% | 1% | 100% |
|---------------------------------------|-----|----|----|----|----|------|

| Other regulatory payments | Spain | Portugal | France | Germany | Netherlands | Total |
|---|-----------|-----------|----------|----------|-------------|-----------|
| Social rate | 48 | 14 | 0 | 0 | 0 | 62 |
| Energy efficiency | 27 | 0 | 0 | 0 | 0 | 27 |
| Other | 0 | 0 | 4 | 0 | 0 | 4 |
| Total other payments to Public Administrations | 75 | 14 | 4 | 0 | 0 | 93 |

| | | | | | | |
|--|--------------|------------|-----------|-----------|-----------|--------------|
| Total payments made to public administrations | 3,206 | 197 | 93 | 60 | 22 | 3,577 |
|--|--------------|------------|-----------|-----------|-----------|--------------|

| Total amount of Accounting Results Breakdown by countries in which ENDESA operates | | | | | | | |
|--|--------|----------|--------|---------|-------------|---------|--------|
| Millions of Euros | | | | | | | |
| Country | Spain | Portugal | France | Germany | Netherlands | Morocco | Total |
| Total revenue | 15,913 | 1,076 | 280 | 258 | 52 | 0 | 17,579 |
| Accounting profit before tax ¹ | 1,745 | 60 | -6 | -2 | -10 | 1 | 1,788 |
| Income tax paid ² | 219 | 10 | 2 | -2 | | | 229 |
| Accrued income tax ³ | 280 | 7 | | | | | 287 |
| Accumulated earnings | 5,042 | 33 | 26 | | | | 5,101 |
| Cash and cash equivalents | 20,989 | 361 | 4 | | | | 21,354 |
| Number of employees ⁴ | 9,469 | 61 | 48 | 9 | 4 | | 9,591 |
| Public grants received ⁵ | 0.5 | | | | | | 0.5 |

¹The criterion for determining the accounting result is on a consolidated basis.

²The figure corresponding to Income Tax corresponds to Corporate Income Tax paid/received in the reporting period. In this case, we would point out that ENDESA and its subsidiaries resident in Spain which are 100% owned, are part of the Tax Consolidation Group whose parent company is ENEL S.p.a., the Company representing the Tax Group in Spain being ENEL Iberia, S.L. Therefore, the figure recorded is the amount paid/collected by ENDESA and its subsidiaries included in the Tax Group, to ENEL Iberia, S.L., which, in accordance with the tax regulations declares and settles the tax of the Tax Group with the Tax Administration. On the other hand, for the rest of the subsidiaries of the consolidated commercial group that are not part of the fiscal consolidation group, the amount paid / charged to the Tax Administration is taken into account.

Morocco consolidates in the group by the equity method, so the accounting result corresponds to the result after taxes in the percentage in which ENDESA participates.

³Accrued Income Tax corresponds to the Current Corporation Tax recognised in the period.

⁴The employee figure refers to the number of active employees at 31 December 2020.

⁵The figure for public grants received corresponds to the total amount of public grants received in 2020, all in Spain (their amount in 2019 being Euros 1.7 million, also in Spain). Until now the figure reported in this section was the balance of capital grants, the amount of which at 31 December 2020 was Euros 261 million (Euros 273 million at 31 December 2019).

1.7.4. Use of tax havens

In accordance with the provisions of the Corporate Enterprises Act, ENDESA's Board of Directors has the non-delegable power to approve the creation or taking of holdings in special purpose entities or entities domiciled in tax havens, as well as any other transactions or operations of an analogous nature that, due to their complexity, could undermine ENDESA's transparency.

ENDESA understands the concept of tax haven in relation to those territories considered as such by Spanish tax regulations, in accordance with Royal Decree 1080/1991 of July 5 which determines the countries or territories referred to by Articles 2, section 3, number 4, of Law 17/1991 of 27 May on Urgent Fiscal Measures, and 62 of Law 31/1990 of 27 December on General State Budgets for 1991. However, the territories included in the EU's list of non-cooperative jurisdictions for tax purposes (both the "black" and "grey" lists) and the jurisdictions analysed by the Global Forum on Transparency and Information Exchange within the OECD are also analysed, as are the lists issued by other organisations and NGOs.

ENDESA's policy is that investments are not made in or through territories classified as tax havens in order to reduce the tax burden. They are only carried out if there are important economic reasons that justify it other than the one mentioned. Furthermore, ENDESA has never used entities located in tax havens in order to hide the true owner of income, activities, assets or rights.

ENDESA has carried out in the past some non-material activity in other countries which, while not considered tax havens by the Spanish tax authorities, are considered by certain external observers as territories that they believe enjoy more favourable tax regimes than Spain.

At 31 December 2020, ENDESA does not have holdings in companies located in any territory classified as a tax haven or in any territory classified by third parties as having more favourable taxation than Spain. During 2020, the liquidation process of International ENDESA, B.V. (IEBV), based in the Netherlands, was concluded.

2. ETHICAL CONDUCT AND COMPLIANCE

102-16

ENDESA is fully committed to compliance with ethical principles and all legislation and regulations in force governing its relations with its stakeholders, and in all its activities.

The Company has a Code of Ethics, a Zero Tolerance to Corruption Plan and other regulations in accordance with the most advanced "compliance" models, which include the values, commitments and ethical responsibilities binding upon all its employees. In addition, among other aspects, ENDESA has established specific action protocols in order to guide the actions of its employees regarding accepting and offering gifts and entertainment, best practices in dealings with public officials and authorities and the defence of personal rights.

ENDESA also has a penal risk prevention and anti-corruption model which complies with the regulations applicable to the Group regarding corporate criminal liability. The document "ENDESA Criminal Compliance and Anti-Bribery Policy" establishes the general principles of criminal compliance and summarises the main action guidelines applicable to all employees, which reflect key values of the company to achieve its business objectives and prevent the materialisation of criminal risks within the company.

The Code of Ethics, the Zero Tolerance of Corruption Plan, the Criminal Compliance and Anti-Bribery Policy, the Penal Risk Prevention and Anti-Corruption Model, the Protocol of Good Practices in dealing with public officials and authorities and the Corporate Integrity Protocols can be consulted on the website:

<https://www.endesa.com/en/shareholders-and-investors/corporate-governance/ethical-behaviour>

2.1. Zero Tolerance of Corruption Plan:

103-1 Anti-corruption Management approach/103-2 Anti-corruption Management approach/103-3 Anti-corruption Management approach/103-1 Unfair competition Management approach/103-2 Unfair competition Management approach/103-3 Unfair competition Management approach /205-2/205-3/103-1 Public Policy Management approach/103-2 Public Policy Management approach/103-3 Public Policy Management approach/103-1 Socioeconomic compliance Management approach/103-2 Socioeconomic compliance Management approach/103-3 Socioeconomic compliance Management approach

All the Company's employees, executives, members of the Board of Directors and majority and minority partners have been informed of the company's Anti-Corruption Policy.

ENDESA is fully committed to complying with ethical standards and principles, as well as current legislation, both internally and in its external relations.

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To achieve this, the company has a Code of Ethics and a Zero Corruption Tolerance Plan, which represent its pillars of ethical culture and integrity. These documents require administrators, managers and employees to carry out activities and relationships with their stakeholders in a comprehensive manner.

The Code of Ethics is composed of:

- 16 General Principles governing relations with stakeholders and defining reference values in ENDESA activities.
- Behaviour Criteria in the relations with each stakeholder, which specifically provide the guidelines and norms to which ENDESA employees must adhere to respect the general principles and to prevent the risk of unethical behaviour.
- Implementation Mechanisms, which describe the control system for adequate knowledge, understanding and compliance with the Code of Ethics by all employees.

Likewise, according to the Code of Ethics, ENDESA does not finance parties, their representatives or candidates in Spain or abroad, nor does it sponsor congresses or parties whose sole purpose is political propaganda. For more information, see section 1.9.9.4 Transparency in institutional relations in the Commitment to Sustainability chapter.

Executives must refrain from exerting any kind of direct or indirect pressure on political exponents (for example, through public concessions to ENDESA, acceptance of suggestions for hiring, consultancy contracts, etc.)

In the last three years, 81% of employees completed at least one course in ethics, and all suppliers undertake in writing to be bound by the general principles of the Criminal Risk Prevention Model, in the General Contracting Conditions.

The Zero Tolerance of Corruption Plan, which represents ENDESA's specific commitment to the fight against corruption and total rejection of any form in which it is manifested, in compliance with the tenth principle of the Global Compact, to which ENDESA is a signatory: "Companies are committed to fighting corruption in all its forms, including extortion and bribery."

The Code of Ethics and the Zero Tolerance of Corruption Plan are available on the company's website.

<https://www.endesa.com/en/shareholders-and-investors/corporate-governance/ethical-behaviour>

2.2. Corporate Integrity Protocols:

In the framework of ethical and compliance regulations, ENDESA has the following specific protocols:

- **Protocol regarding the acceptance and offering of gifts and entertainment:** the purpose of which is to establish clear action principles to be followed by ENDESA employees in all matters concerning the offering or receiving of gifts and hospitality deriving from their interaction with public officials, customers and suppliers, in order to ensure that their behaviour conforms to the Company's Code of Ethics and the Zero Tolerance of Corruption Plan.
- **Protocol of good practices in dealing with public officials and authorities:** the purpose of which is to establish clear principles of action that guide the actions of employees, managers, administrators and third parties contracted by ENDESA when dealing with public officials or authorities, guaranteeing the excellence of the services provided by ENDESA and ensuring the application of the principles of transparency and correct behaviour in relations with the public sector.
- **Compliance Protocol - Defence of personal rights:** the purpose of which is to describe and prevent behaviours that could put people's rights at risk. In particular, the activities and bodies involved in the operation of the protocol, as well as its operation, are described.

These protocols are available on the company's website. <https://www.endesa.com/en/shareholders-and-investors/corporate-governance/ethical-behaviour>

2.3. Criminal Risk Prevention and Anti-Bribery Model

103-1 Socioeconomic compliance/103-2 Socioeconomic compliance/103-3 Socioeconomic compliance/102-16

ENDESA has a Criminal Risk Prevention and Anti-Corruption Model (hereinafter, the "Model"), which provides the Company with a control system with the objective of preventing or significantly reducing the risk of committing penal infractions in its business activity, in compliance with the provisions of the Criminal Code regarding criminal liability of the legal entity, a regime introduced in the Spanish legal system in 2010.

In 2020, the ENDESA Model was reviewed and the certifications obtained in 2017 for the Prevention of Criminal Risks and Anti-bribery Model under UNE 19601:2017 standards for Criminal Compliance Management and UNE-ISO 37001 for the Anti-Bribery Management System were maintained.

The Audit and Compliance Committee is the body responsible for overseeing the operation and compliance of the Model and the functions performed by the Supervisory Committee, which is responsible, among other tasks, for monitoring and updating the Model. The Supervisory Committee is made up of the Secretary General and Secretary to the Board of Directors (who in turn acts as Chairman of the Supervision Committee), the General Director of Audit, the Director of Corporate Legal Advice and Compliance, the Director of Business Legal Advisory and the General Director of People and Organisation.

During 2020, the Supervisory Committee met on three occasions, and in these sessions the main issues related to the Model were followed, including the intervention of those responsible for different areas of the Company to inform to the Committee on relevant aspects within its purview.

At the beginning of each financial year, the Supervisory Committee prepares an Activities Programme in which priorities are established based on qualitative criteria using a risk approach.

The activities carried out in 2020 include:

- The review, update and evaluation of the events of risk of commission of the penal infractions and of adaptation and update of its mitigating controls included in the matrix of the Model,
- Verification of the adequate effectiveness and operation of the Criminal Risk Prevention and Anti-Bribery Model by reviewing the appropriate design and operability of certain control activities,
- The carrying out of various training and dissemination initiatives to the Company's staff on the ethical reference and criminal prevention compliance framework in force at ENDESA.
- Review and update of the Criminal Risk Prevention and Anti-Bribery Model in order to maintain the certificates that accredit the Criminal Compliance Management System in accordance with UNE 19601:2017 and an anti-bribery Management System in accordance with UNE-ISO 37001.
- Definition of a scorecard with compliance indicators that make it possible to measure the main aspects of ENDESA's criminal compliance and Anti-bribery system.

From the activities carried out during the year, it is concluded that ENDESA's Criminal Risk Prevention and Anti-Bribery Model is operational in all significant Group companies and is being executed effectively, being generally adequate to mitigate commission risks of the offences established in the applicable regulations.

2.4. Meeting the objectives

Integrity and ethical conduct are among the basic pillars of ENDESA's sustainability strategy. Therefore, the ENDESA Sustainability Plan 2020-2022 included specific objectives aimed at maintaining a high level of excellence in this area, reaching an overall level of compliance of 100%.

| Description of the objective | Objective achievement |
|---|-----------------------|
| Annual verification of efficiency of the Criminal Risk Prevention Model | 100% |
| 97.5% of employees trained in ethics in the last 3 years (cumulative % of the total workforce) | 100% |
| Be exemplary in the sector and a leading company for ethical, integral and impeccable behaviour (DJSI score > 95) | 100% |
| 100 % of verifiable complaints analysed in a period not exceeding 90 days | 100% |

2.5. Measures to fight money laundering

ENDESA is not within the subjective scope of Law 10/2010, of 28 April on prevention of money laundering and terrorist financing (Article 2) and other regulations for the development of the same, or applicable EU application, all this without prejudice to full respect for the legal provisions in said matter insofar as they may be applicable to ENDESA's commercial operations.

Notwithstanding the foregoing, the ENDESA Criminal Risk Prevention and Anti-Corruption Model, which constitutes a structured and organic system of surveillance and control procedures and activities suitable for preventing the commission of crimes, expressly establishes the crime of money laundering as being within its scope of application, which is considered an appropriate and sufficient measure to prevent the commission of such criminal offences, in view of the nature of

ENDESA's activity. The ENDESA Model includes 17 specific control activities against the risk of money laundering, in different Group Companies.

ENDESA promotes a culture of compliance by training employees in this matter; in this regard, the Company maintains an online course on the Model, the content of which deals with the crimes of the Spanish Penal Code that entail criminal responsibility for the legal entity and periodically organises monographic sessions for different ENDESA groups.

Additionally, there are policies and procedures that regulate certain processes of the Company that could prevent risks related to money laundering.

2.6. Ethics Channel

205-3/205-1/102-17/103-1 Management approach Anti-corruption/103-2 Management approach Anti-corruption/103-3 Management approach Anti-corruption

ENDESA makes available to all its stakeholders an Ethics Channel, accessible through its website (www.endesa.com) and on its intranet, allowing them to communicate, in a safe and anonymous way, any irregular, unethical or illegal conduct that they believe to be taking place in the development of the Company's activities (whistleblower's channel).

The platform on which this channel operates is managed by an external and independent firm, which deals with all complaints and communications to ensure total security and confidentiality. Reports are investigated and managed by Internal Audit, guaranteeing a homogeneous methodology in their treatment.

The General Directorate of Audit is responsible for ensuring the correct handling of complaints received, acting according to its own judgement, independently of other units in the organisation. It has access to all Company documents necessary for the exercise of its functions and monitors the implementation of the recommendations included in its audit reports.

However, reporting incidents knowing that they are false or with reckless disregard for the truth could lead to criminal or civil liability, in the terms provided in current legislation.

The communications received through the Ethics Channel correspond mainly to issues relating to conflicts of interest and inappropriate supplier and contractor activities.

During 2020 the Company complied fully with all the processes established for the correct application of the compliance regulations. During 2020, ENDESA has received, either through the Ethics Channel or by other means, a total of 4 complaints of different types. Of these, three had to do with conflicts of interest or fraud. The investigation of all of them was closed during the same year, 2020.

In the case of the three reports received and closed relating to conflict of interest and fraud, no breaches of the Code of Ethics were verified.

| Reports received ¹ in 2020 by type of whistleblower | Customers | Employees | Payable to suppliers | Shareholder | Community | Anonymous | Total |
|---|-----------|-----------|----------------------|-------------|-----------|-----------|-------|
| Spain and Portugal | 1 | 0 | 0 | 0 | 1 | 2 | 4 |
| Reports received ¹ in 2020 by stakeholder group affected or potentially affected | Customers | Employees | Payable to suppliers | Shareholder | Community | Other | Total |
| Spain and Portugal | 1 | 0 | 0 | 3 | 0 | 0 | 4 |

¹ Number of reports received in the Ethics Channel for irregular, unethical or illegal conduct that occurs in the development of activities (excluding those of an operational nature and those referring to cases already analysed).

| Status and conclusion of reports received ¹ | 2017 | 2018 | 2019 | 2020 |
|--|------|------|------|------|
| Closed | 8 | 8 | 11 | 4 |
| Breaches ² | 1 | 0 | 3 | 0 |
| Unfounded | 7 | 8 | 8 | 4 |
| Open | 0 | 0 | 0 | 0 |

| Breaches ² by type | 2017 | 2018 | 2019 | 2020 |
|--|----------|----------|----------|----------|
| Conflicts of interest / Corruption | 1 | 0 | 1 | 0 |
| Fraud or theft against the Co. / Misuse of resources | 0 | 0 | 1 | 0 |
| Other | 0 | 0 | 1 | 0 |
| Total | 1 | 0 | 3 | 0 |

¹ Number of reports received in the Ethics Channel for irregular, unethical or illegal conduct that occurs in the development of activities (excluding those of an operational nature and those referring to cases already analysed).

² Number of irregular, unethical or illegal behaviours that occur in the development of activities and constitute a breach of the principles established in the company's Code of Ethics, which may or may not constitute a criminal offence depending on the case.

In addition to the investigation of reports, in 2020, 43 internal audit projects took place, 11 of them (26%) covering compliance risks and 7 (16%) covering the risk of corruption. The analyses carried out reached 100% of business lines, covering those processes of the company with the highest risk. No corruption-related cases were detected in these reviews.

2.7. Litigation

Litigation on monopolistic and anti-competitive practices

206-1

The total number of lawsuits regarding monopolistic and anti-competitive practices is five. The value of the fines amounts to 11.3 million euros.

The five cases are described below:

1. Energía XXI, S.L.U. In June 2017, the CNMC agreed to initiate sanction proceedings against ENDESA Energía XXI, S.L.U. for the alleged commission of practices contrary to Article 3 of Law 15/2007 on the Defence of Competition ("LDC") consisting of using the bills of clients availing themselves of PVPC/TUR to publicise the services offered by the deregulated supplier or direct them to the Service Points linked to the deregulated supplier. On 20 June 2019, the CNMC issued a Resolution in proceedings S/DC/0552/15, imposing a fine of Euros 5.5 million on Energía XXI, S.L.U. This Resolution has been appealed before the National Court, with a request for the precautionary suspension of its enforcement. In June 2020, the National Court issued an Order agreeing to suspend the execution of the fine. The merits of the matter are currently pending resolution before the National Court.

2. ENDESA Generación, S.A.U. On 30 November 2017, the CNMC agreed to initiate sanction proceedings against ENDESA Generación, S.A. for alleged undue alteration of the dispatch of the Besós Combined Cycle Power Plant, groups 3 and 5, in the period October 2016 - January 2017 (File SNC/DE/174/17). The CNMC considers that ENDESA Generación, S.A. proceeded to assign abnormal or disproportionate price values to the daily market offers of groups 3 and 5 of the Besós combined cycle plant, in the period October 2016 - January 2017, in order to exclude these groups in said market, and for the programming to take place within the framework of the process of technical restrictions. According to the CNMC, this conduct occurred in the company's full knowledge of the high probability of allocation in said process, where it would earn more than in the daily market. The pleadings have been made in these proceedings, without acknowledging responsibility for the facts and justifying the behaviour as being consistent with applicable regulations. ENDESA presented its electricity offers oriented to the variable costs of natural gas that it had had in that period. Finally, the CNMC imposed a fine of Euros 5.8 million on ENDESA Generación, S.A.U. ENDESA has appealed this fine before the National Court, requesting

suspension of the fine as a precautionary measure and providing a bank guarantee. The precautionary suspension having been rejected, the fine has been paid. Appeal lodged and answered by the State Attorney, carrying out the evidentiary phase. Currently the appeal is pending ruling.

3. ENDESA Distribución Redes Digitales, S.L.U. and Energía XXI, S.L.U. On 6 September 2018, the CNMC issued a Resolution obliging vertically integrated reference distribution and supply companies - in ENDESA's case, ENDESA Distribución S.L. and ENDESA Energía XXI S.L. - to adopt a series of measures, all in order to comply with the obligation provided in Articles 12.3 of the Electricity Sector Law and 63.6 of the Hydrocarbon Sector Law not to create confusion in the information and in the presentation of its brand and image regarding the identity of the subsidiaries of the same group that carry out deregulated supply activities.

Both ENDESA Distribución S.L. and ENDESA Energía XXI S.L.U. appealed the Resolution before the National Court with a request for precautionary suspension of the enforcement of the measures imposed by the CNMC. For its part, the National Court issued an Order on 31 January 2019, rejecting the request for provisional suspension of the enforcement of the appealed Resolution. ENDESA Distribución SL and ENDESA Energía XXI SL have submitted a claim in the framework of the ordinary procedure before the National Court, which is pending a vote and ruling.

4. Enel Green Power España S.A. On 14 December 2020, the CNMC Competition Directorate notified Enel Green Power España, S.A. ("EGP") of the instigation of sanctioning proceedings for alleged abuse of dominant position in the market for access and connection to the transmission grid at certain nodes with effects on the related electricity generation market. According to the CNMC, EGP took advantage of its status as Single Node Interlocutor ("IUN") to favour companies of the same group to the detriment of third-party generating companies.

During the investigation phase that has just begun, the CNMC may send new requests for information to EGP. In turn, pleadings will be formulated against the allegations made by the CNMC and, in particular, any statement of specification of facts and proposed resolution that may be sent will be challenged.

5. ENDESA Generación, S.A. On 2 March 2018, the Decision issued by the European Commission of 27 November 2017 in case SA.47912, Environmental incentive for coal-fired power plants, was published in the Official Journal of the European Union. 47.912, environmental incentive for coal-fired power plants.

In said Decision, the Directorate General for Competition of the European Commission ("Commission") agreed to initiate a formal investigation procedure under article 108.2 of the Treaty on the Functioning of the European Union ("TFEU"), in order to determine whether the environmental incentive ("Incentive") for coal plants provided for in Order ITC/3860/2007 constitutes State aid compatible with the internal market. According to the literal wording of the Decision, the Commission has reached the preliminary conclusion that the Incentive constitutes State aid within the meaning of Article 107.1 TFEU and has doubts about its compatibility with the internal market, since it considers that it constitutes aid to investments made solely for the purpose of adapting coal-fired power plants in line with Community environmental standards, in particular Directive 2001/80 on large combustion plants.

On 13 April 2018, ENDESA Generación S.A.U., in its capacity as an interested third party to the proceedings, forwarded its pleadings to the Directorate General.

Subsequently, on 30 July 2018, the appeal filed by Gas Natural against the decision of the European Commission initiating the reference investigation procedure was published in the DOUE.

To date, there has been no pronouncement by the EU institutions.

ENDESA Generación, S.A. Kingdom of Spain, notification of State Aid. Following the entry into force of Royal Decree 738/2015, of 31 July, which regulates the activity of electricity production and dispatch procedure in the electrical systems of non-mainland territories ("Royal Decree 738/2015"), the Kingdom of Spain proceeded to notify the Directorate General for Competition of the European Commission of the remuneration regime provided for in said Royal Decree, for its approval.

Without prejudice to this being a procedure between the Kingdom of Spain and the European Commission to which ENDESA Generación is not party, various informal meetings have been held with the European Commission in order to speed up the authorisation procedure. On 28 May 2020 the European Commission issued a decision to authorise the measure in accordance with the following terms: A. The European Commission declares that the remuneration scheme subject to authorisation constitutes State aid compatible with the internal market, under the provisions of article 106.2 TFEU and the SEIG regulatory framework of 2012 - without the Commission detecting the existence of overcompensation. B. Authorisation was granted until 31 December 2029 for the Canary Islands, Ceuta and Melilla and until 31 December 2025 for the Balearic Islands, all conditional on the systems remaining not interconnected during said period.

In turn, it establishes the need for the Commission to review this remuneration scheme every two years, as required by the 2012 SGEI Regulatory Framework - a review that might take account of some of the points analysed in the Decision of 28 May in order to declare the compatibility of the aid.

Environmental litigation

307-1

The total number of environmental lawsuits amounts to 58, with a total amount of Euros 66,322,902.47.

These 58 lawsuits can be broken down as follows:

- 6 matters related to renewable energy (wind), for a total amount of Euros 750,000.
- 3 matters related to (nuclear) generation. The amount of these fines is Euros 15,375,000.
- 4 matters related to generation (water, gas and coal).
- 45 matters related to distribution, for a total amount of Euros 50,197,902.47.
- There were no matters related to renewable hydroelectric energy.

The total number of environmental sanctioning files is 114:

- 1 in respect of Renewable Hydraulic Energy with a maximum fine of Euros 600,000.
- 111 in respect of Birdlife with a total amount of Euros 2,139,000.
- 2 in respect of fire with a total amount of Euros 550,759.08.

Complaints relating to data protection

418-1

Of the total of 7,418 duly substantiated internal complaints received in Spain and Portugal in 2020 in relation to breaches of privacy: (i) 84 relate to e-Distribution, (ii) 3,922 to ENDESA Energía, 2,284 corresponding to interested parties without a contract in force, (iii) 370 to Energía XXI, (iv) 144 to ENDESA X Servicios and (v) 2,898 to the ENDESA Energía branch in Portugal.

No complaints were received from suppliers in Spain or Portugal in 2020 in relation to privacy or leaking of personal data.

Of a total of 73 administrative procedures initiated in 2020 by the Spanish Data Protection Agency and the National Data Protection Commission of Portugal: (i) 13 corresponded to ENDESA Energía (all of them filed or not admitted for processing); (ii) 2 related to Energía XXI (both filed or not admitted for processing); and (iii) 58 related to ENDESA Energía's branch in Portugal.

Claims and fines in the social and procedural area

419-1

Significant fines resulting from non-compliance with regulations in relation to the supply and use of the organisation's products and services amounted to Euros 13,548,500*. For the total amount, the files with a proposed sanction of more than Euros 30,000 have been selected.

*Breakdown of the total amount:

- Euros 12,000,000: Cases finalised and dismissed.
- Euros 80,000: Cases finalised, ruled against.
- Euros 1,120,000: Live cases, legal appeals lodged.
- Euros 348,500: Live cases in administrative process.

Claims and fines relating to the impacts of products and services on health and safety

416-2/EU25

There were no incidents resulting from non-compliance with legal regulations or voluntary codes related to the impacts of products and services on health and safety that resulted in a fine or sanction, or a warning.

Claims and fines relating to non-compliance regarding information and labelling of products and services

417-2

There were no breaches of the regulations regarding information and labelling of products and services resulting in fines.

There were no non-compliances in this matter that resulted in a warning.

The total number of instances of non-compliance with the voluntary codes regarding information and labelling of products and services was 142.

Claims and fines related to marketing communications

417-3

There were no incidents resulting from non-compliance with voluntary codes and regulations related to marketing communications, including advertising, promotion and sponsorship.

Tax Litigation

- A lawsuit regarding the proceedings initiated by the Inspection in 2017 of ENEL Green Power España, S.L.U. (EGPE) is ongoing (EGPE) in relation to the Corporate Income Tax for the financial years 2010 to 2013. The main issue under discussion concerns the applicability or otherwise of the tax neutrality regime to the merger of ENEL Green Power España, S.L.U. (EGPE) by absorption of ENEL Unión Fenosa Renovables, S.A. in 2011. On 10 December 2019, a dismissal resolution was obtained from the Central Economic-

Administrative Court on the Corporate Income Tax for 2011 (as regards the position of ENEL Green Power España, S.L.U. (EGPE) as successor to ENEL Unión Fenosa Renovables, SA) and it has been decided to file an appeal before the National High Court. Likewise, on 16 June 2020, a partial resolution was received for the Corporate Income Tax for the financial years 2010 to 2013, where the effects of the application of the tax neutrality regime in that period are discussed, which, in the same way, has decided to continue appealing before the National Court. The suspension of the debt is covered by a bank guarantee.

- In 2016, the Tax Agency notified ENDESA of the agreement to initiate the proceedings regarding the consolidated tax group number 572/10 to which ENDESA, S.A. belongs and its subsidiaries with respect to Corporate Income Tax for 2011 to 2014. In April 2018, contested tax audit reports were signed by the consolidated group in relation to Corporate Income Tax for 2011 to 2014. On 9 July 2018, the final settlement agreements were issued, which were appealed on 27 July 2018 before the Central Tax Appeal Board and are pending resolution. The items under discussion relate mainly to the difference of opinion on the deductibility of expenses for decommissioning of plants and of certain financial expenses from the period inspected. There is a guarantee covering the suspension of the debt.

APPENDICES

APPENDIX I ENDESA, committed to providing information on sustainability

1. PROFILE OF THE REPORT

102-46/102-50/102-51/102-52/102-54

The 2020 Statement of Non-Financial Information and Sustainability of ENDESA, S.A. and its subsidiaries constitutes the nineteenth published by the Company since it began publishing Sustainability Reports in 2001, an activity that it has been carrying out since then on an annual basis. This report is the first in which ENDESA has prepared its Statement of Non-Financial Information and Sustainability of ENDESA, S.A. and subsidiaries 2020. This report has been prepared in accordance with the Essential option of the GRI (Global Reporting Initiative) Standards. At the same time it complies with the contents required by Law 11/2018 of 28 December on non-financial information and diversity.

With this 2020 Report, ENDESA aims to offer a transparent and global vision of the Company's performance in terms of Sustainability, in accordance with its new Sustainability Policy and its 2020-2022 Sustainability Plan, which has already been renewed with the 2021-2023 Plan, as well as complying with the Law. Through such action, ENDESA underlines its commitment to generating long-term value and sustainable business management to its stakeholders.

This document, which forms an integral part of the ENDESA Group's consolidated management report at 31 December 2020, has been drawn up in accordance with the requirements of Law 11/2018, of 28 December, amending the Code of Commerce, the revised text of the Corporate Enterprises Act approved by Royal Decree Law 1/2010, of 2 July, and Law 22/2015, of 20 July, on the auditing of accounts, with regard to non-financial and diversity information.

The scope of this Statement of Non-Financial Information and Sustainability includes the consolidated information relating to the 2020 financial year of the ENDESA Group in accordance with the Basis of Presentation of the Consolidated Financial Statements described in Note 2 of the Notes to the Consolidated Financial Statements for the year ended 31 December 2020. In order to provide this information, the ENDESA Group has based it on the GRI Global Standards for Sustainability Reporting and the Electric Utilities Sector Supplement for the indicators broken down according in Appendix III to this document, in which the contents relating to the standards indicated are identified.

This document has been prepared following the guidelines of the GRI Global Standards for Sustainability Reporting and Law 11/2018 of 28 December on non-financial information and diversity. The Report has also been complemented with the specific sector supplement for the electric sector (Electric Utilities Sector Supplement) of the GRI and with the principles established by the AA1000 APS (2018) standard.

In Appendix II, GRI content index, more information in relation to GRI content can be found.

The Statement of Non-Financial Information and Sustainability is published together with other annual reports of the Company, such as the Legal Documentation and the Corporate Governance Report, as well as with the contents of the Sustainability section of the ENDESA website (www.endesa.com). Information is also provided in the annual report of the ENDESA Foundation on the social commitment activities carried out by this institution.

Through its corporate website (www.endesa.com), ENDESA reports on its sustainability performance, offering quarterly information to shareholders and financial markets, which is also available via the ENDESA Shareholder Office.

102-56

The Board of Directors, the highest governance body of the company, and senior management participate in the request for external verification, which is entrusted to KPMG, an entity of proven competence, unconnected with the Company, which applies professional criteria and follows systematic processes based on empirical verification. The public independent review report is included in Appendix V.

2. COVERAGE OF THE REPORT

102-46

ENDESA maintains a continuously updated corporate register which includes all of its equity interests, whatever their nature, whether direct or indirect, as well as any entity over which it has the capacity to exercise control.

The scope of the information offered in this report covers both ENDESA, S.A. and its investee companies in Spain and Portugal and is the same as that followed by the reports in the Legal Documentation. For more information see section 1.2.3. Organisational structure in the chapter Commitment to sustainability.

As a general criterion, the environmental data are for 100 percent of the facilities in which ENDESA has a majority stake and therefore, responsibility for operation (control). In addition, data are included for facilities in which there is no majority stake, the percentage interest being reported, as with the nuclear facilities and the Pego thermal power plant in Portugal.

Regarding employee data, both the companies managed by ENDESA and the investees in Spain and Portugal are included. In addition, employees of investees in France, the Netherlands and Germany are included.

In terms of security, the data of the employees of the companies in which ENDESA has a majority stake and, therefore, responsibility for operation (control) are included.

The information regarding the social programmes corresponds to the activities carried out by ENDESA, its foundation and its subsidiaries in Spain and Portugal.

Regarding the material aspects identified, it should be noted that all of them are relevant both within and outside the organisation for all the entities that make up ENDESA.

Throughout the Statement of Non-Financial Information and Sustainability, specific cases are indicated where the scope of the information included differs from the criteria described here.

3. OTHER DATA OF INTEREST

For further information on sustainability, the reader has the following channels at their disposal:

Websites

<https://www.endesa.com>

<https://www.endesatarifasluzygas.com/>

<https://www.edistribucion.com/es/index.html>

<https://www.energiaxxi.com/homexxi-en>

<https://www.endesax.com/es>

Customer service centres

- Free market clients: 800 760 909 – From abroad (+34) 937 061 510
- Energía XXI: 800 76 03 33
- Companies: 800 76 02 66
- ENDESA One: 919 03 94 67
- ENDESA Distribución: 900 87 81 19 – From abroad (+34) 937 061 513

email address

atencionalcliente@endesaonline.com

Shareholders and investors

Investor Relations Department:

Ribera del Loira 60. 28042 Madrid, Spain

(+34) 912 131 503

ir@endesa.es

Shareholder Office

Ribera del Loira 60. 28042 Madrid, Spain

Tel. 900 666 900.

shareholders@endesa.es

Payable to suppliers

<https://globalprocurement.enel.com>

C/ Ribera del Loira, 60. 28042 Madrid, Spain

Telephone number +34 914 558 838

e-mail: **procurement.enel@enel.com**

Employees and their representatives

100% of employees have access to the corporate intranet.

Employees also have a multichannel platform (website, telephone and chat) known as “Online” through which they can make inquiries, resolve doubts and carry out tasks related to staff administration. This initiative, which leverages new technologies, is included within the Company’s digital transformation plan which seeks to reduce response times and increase employee satisfaction levels.

ENDESA trade union websites:

<http://ugtendesa.es/>

<https://ccooendesa.com/>

<http://www.asie-sindical.com/>

Customer service in general

Sustainability: **sostenibilidad@endesa.es**

Ethical Channel: <https://secure.ethicspoint.eu/domain/media/es/gui/102504/index.html>

102-53

The contact person for all stakeholders on sustainability-related issues and those related to the content of the ENDESA 2020 Statement of Non-Financial Information and Sustainability:

María Malaxechevarría Grande

General Manager – Sustainability

Calle Ribera del Loira 60,

28042 Madrid, Spain.

e-mail: sostenibilidad@endesa.es

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ENDESA Head Office,

Calle Ribera del Loira 60,

28042 Madrid, Spain.

APPENDIX II GRI content index



102-55

For the Content Index Service, GRI Services has confirmed that the GRI contents index in the report is clear, and that the references for each content included correspond to the indicated sections of the report.

The service was performed on the English Version of the GRI Content Index in the Spanish version of the report.

| GRI Standard | Disclosure | Page number (s) and / or direct answers |
|-------------------------------|--|--|
| GRI 101: Fundamentals 2016 | | |
| General contents | | |
| GRI 102: General content 2016 | 102-1 Name of the organisation | Ch. Commitment to Sustainability: 1.2.1 Main activities p. 8 |
| | 102-2 Activities, brands, products and services | Ch. Commitment to Sustainability: 1.2.1 Main activities p. 8; 1.2.3. Organisational structure, pp. 9-13 ENDESA does not sell or market prohibited products or services. In distribution activities, two services are provided, the supply of energy and the connection to the grid, both services being regulated, so they are always provided in accordance with the existing regulatory framework. ENDESA Energia sells electricity and gas in compliance with applicable legislation, and ENDESA X does not market any product or service prohibited by Spanish law and always acts in accordance with the law. |
| | 102-3 Location of headquarters | APPENDIX I ENDESA, committed to providing information on sustainability, p. 304 |
| | 102-4 Location of operations | Ch. Commitment to sustainability: 1.2.2. Main markets pp. 8-9 |
| | 102-5 Ownership and legal form | Ch. Commitment to sustainability: 1.2.3. Organisational structure, pp.9-13 |
| | 102-6 Markets served | Ch. Commitment to sustainability: 1.2.2. Main markets pp. 8-9 |
| | 102-7 Size of the organisation | Ch. Commitment to sustainability: 1.1. ENDESA in figures, pp. 7-8 Ch. Commitment to our employees: 1. ENDESA's workforce pp. 165-166 Ch. Corporate Governance and Ethical Conduct: 1.5.1. ENDESA's stock market performance pp. 279-280 |
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| EUSS research and development | 103-1 Explanation of the material topic and its Boundary | Ch. Enabling infrastructures: 1.1. Development and improvement of distribution infrastructure, pp. 115-116 |
| | 103-2 The management approach and its components | Ch. Enabling infrastructures: 1.1. Development and improvement of distribution infrastructure, pp. 115-116 |
| | 103-3 Evaluation of the management approach. | Ch. Enabling infrastructures: 1.1. Development and improvement of distribution infrastructure, pp. 115-116 |
| EUSS provision of information | 103-1 Explanation of the material topic and its Boundary | Ch. Enabling infrastructures: 2.2 elimination of barriers to access for the most vulnerable customers to information on products and services: pp. 121-122; 4.1. Responsibility in information on and offer of products and services pp. 124-125 |
| | 103-2 The management approach and its components | Ch. Enabling infrastructures: 2.2 elimination of barriers to access for the most vulnerable customers to information on products and services: pp. 121-122; 4.1. Responsibility in |

| | | |
|---|--|--|
| | | information on and offer of products and services pp. 124-125 |
| | 103-3 Evaluation of the management approach. | Ch. Enabling infrastructures: 2.2 elimination of barriers to access for the most vulnerable customers to information on products and services: pp. 121-122; 4.1. Responsibility in information on and offer of products and services pp. 124-125 |
| Dismantling of plants EUSS | 103-1 Explanation of the material topic and its Boundary | Ch. Environmental sustainability: 1.6.3. Dismantling, p. 245 |
| | 103-2 The management approach and its components | Ch. Environmental sustainability: 1.6.3. Dismantling, p. 245 |
| | 103-3 Evaluation of the management approach. | Ch. Environmental sustainability: 1.6.3. Dismantling, p. 245 |
| EUSS disaster/emergency planning and response | 103-1 Explanation of the material topic and its Boundary | Ch. Environmental sustainability: 1.6.2. Management of emergencies, pp. 243-245 |
| | 103-2 The management approach and its components | Ch. Environmental sustainability: 1.6.2. Management of emergencies, pp. 243-245 |
| | 103-3 Evaluation of the management approach. | Ch. Environmental sustainability: 1.6.2. Management of emergencies, pp. 243-245 |
| EUSS Demand Management | 103-1 Explanation of the material topic and its Boundary | Ch. Enabling infrastructures: 5.1. ENDESA: Products and services to customers, p. 128 |
| | 103-2 The management approach and its components | Ch. Enabling infrastructures: 5.1. ENDESA: Products and services to customers, p. 128 |
| | 103-3 Evaluation of the management approach. | Ch. Enabling infrastructures: 5.1. ENDESA: Products and services to customers, p. 128 |
| System Efficiency EUSS | 103-1 Explanation of the material topic and its Boundary | Ch. Environmental sustainability: 2.1.5. Energy efficiency and non-availability in electricity generation, pp. 250-251 |
| | 103-2 The management approach and its components | Ch. Environmental sustainability: 2.1.5. Energy efficiency and non-availability in electricity generation, pp. 250-251 |
| | 103-3 Evaluation of the management approach. | Ch. Environmental sustainability: 2.1.5. Energy efficiency and non-availability in electricity generation, pp. 250-251 |
| EUSS customer health and safety | 103-1 Explanation of the material topic and its Boundary | Ch. Enabling infrastructures: 1.3. Safety at facilities, p. 117 |
| | 103-2 The management approach and its components | Ch. Enabling infrastructures: 1.3. Safety at facilities, p. 117 |
| | 103-3 Evaluation of the management approach. | Ch. Enabling infrastructures: 1.3. Safety at facilities, p. 117 |

APPENDIX III Table of contents required by Law 11/2018 of 28 December regarding non-financial information and diversity

General areas

| Scope | | Reporting framework | Reference |
|----------------|--|---|--|
| Business model | Description of the business model: Business environment Organisation and structure Markets in which it operates Objectives and strategies Main factors and trends that may affect your future evolution | GRI 102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-14, 102-15 | Ch. Commitment to Sustainability: 1.1. ENDESA in figures, pp. 7-8 Ch. Commitment to Sustainability: 1.2.1. Main activities, p. 8 Ch. Commitment to Sustainability: 1.2.2. Main markets pp. 8-9 Ch. Commitment to Sustainability: 1.2.3. Organisational structure, pp. 9-13 Appendix I ENDESA, committed to information on sustainability, pp. 301-304 Ch. Commitment to sustainability: 2.4.2. The due diligence process, pp. 26-29; 2.4.3. Opportunities for Improvement and action plan, p. 30; 4.6. Main sustainability risks, pp. 45-49; 5.2.2. Results of the materiality study, pp. 55-57; 6.1 Structure of the new 2021-2023 ENDESA Sustainability Plan, pp. 58-65 |
| | Internal Control and Risk Management System Risk and impact analysis related to key issues | GRI 102-15 | Ch. Commitment to Sustainability: 4. Risk management, pp. 40-49; 5.2.2. Results of the materiality study, pp. 55-57; 6.1. Structure of the new 2021-2023 ENDESA Sustainability Plan, pp. 58-65 |

Environmental issues

| Scope | | Reporting framework | Reference |
|--|--|---|---|
| Management approach | | | |
| Environmental management | Current and foreseeable effects of the company's activities | GRI 103-1, 103-2, 307-1 | Ch. Environmental sustainability: 1. Environmental management, p. 238; 1.1 ENDESA's Environmental Policy, pp. 238-239; 1.7 Environmental sanctions p. 245/Ch. Corporate Governance and Ethical Conduct: 2.7. Litigation pp. 297-298 |
| | Environmental assessment or certification procedures | GRI 307-1 | Ch. Environmental sustainability: 1.5. Environmental management systems, pp. 241-243 |
| | Resources dedicated to the prevention of environmental risks. | Internal framework: Resources for the prevention of environmental risks | Ch. Environmental sustainability 1.4. Managing environmental risks and impacts, pp. 240-241 |
| | Application of the precautionary principle | GRI 102-11 | Ch. Environmental sustainability: 1.1 ENDESA's Environmental Policy, pp. 238-239 |
| | Number of provisions and guarantees for environmental risks | Internal framework: Number of provisions and guarantees for environmental risks | Ch. Environmental sustainability: 1.7. Environmental sanctions, p. 245 |
| Pollution | Measures to prevent, reduce or repair carbon emissions (also includes noise and light pollution) | GRI 305-7 | Ch. Environmental sustainability: 2.2 Air quality, pp. 251-252; 2.4. Noise and light pollution, p. 253 |
| Circular economy and waste prevention and management | Measures for the prevention, recycling, reuse and other forms of waste recovery and disposal | GRI 306-2 | Ch. Commitment to Sustainability: 7. Circular economy, pp. 65-70 Ch. Environmental sustainability: 2.6. Waste Measures for the prevention, recycling, reuse |

| Scope | | Reporting framework | Reference |
|------------------------------|--|---|---|
| | | | and other forms of waste recovery and disposal, pp. 258-260 |
| | Actions to combat food waste | | Actions to combat food waste are not reported as they are not considered a material issue. |
| Sustainable use of resources | Water consumption and water supply in accordance with local limitations | GRI 303-1, 303-3, 303-5, 306-5 | Ch. Environmental sustainability: 2.5.1 Water consumption, pp. 254-256 |
| | Consumption of raw materials and measures taken to improve the efficiency of their use | GRI 301-1 | Ch. Environmental sustainability: 2.1.2 Fuel consumption, p. 247; 2.1.3 Power consumption, pp. 247-249, 2.1.5. Energy efficiency and non-availability in electricity generation, pp. 250-251 |
| | Direct and indirect consumption of energy | GRI 302-1, 302-3 | Ch. Environmental sustainability: 2.1 Energy resources, pp. 246-251 |
| | Measures taken to improve energy efficiency | GRI 302-4 | Ch. Environmental sustainability: 2.1.5. Energy efficiency and non-availability in electricity generation, pp. 250-251 |
| | Use of renewable energy | Internal framework: Use of renewable energy | Ch. Decarbonisation: 1.3 Strategy, pp. 88-91 |
| Climate change | Important elements of greenhouse gas emissions generated | GRI 305-1, 305-2, 305-3, 305-4, 305-5 | Ch. Decarbonisation: 1.5.3. Direct and indirect CO ₂ emissions, pp. 108-110 |
| | Measures taken to adapt to the consequences of climate change | GRI 201-2 | Ch. Commitment to sustainability: 4.6. Main sustainability risks, pp. 45-49 Ch. Decarbonisation: 1.4.2. Adaptation to climate change, pp. 101-104 |
| | Reduction goals set voluntarily | GRI 305-5 | Ch. Decarbonisation: 1.5.3. Direct and indirect CO ₂ emissions, pp. 110-111 |
| Biodiversity protection | Measures taken to preserve or restore biodiversity. | GRI 304-3 | Ch. Environmental sustainability: 3. Conservation of biodiversity, pp. 261-266; 3.1 Plan for the conservation of biodiversity, pp. 261-262 |
| | Impacts caused by activities or operations in protected areas | GRI 304-1, 304-2, 303-2 | Ch. Environmental sustainability: 3.2 Outstanding actions, pp. 262-264; 3.3 Environmental restoration, pp. 264-265; 3.4 Impacts caused by activities or operations in protected areas, p. 266; Ch. Environmental sustainability: 2.5.2. Water discharge, p. 257 |

Social and personnel issues

| Scope | | Reporting framework | Reference |
|---------------------|--|--|--|
| Management approach | | | |
| Employment | Total number and distribution of employees by gender, age, country and professional category | GRI 401-1 | Ch. Commitment to our employees: 1. ENDESA's workforce, pp. 165-166 |
| | Total number and breakdown by type of employment contract | GRI 102-8 | Ch. Commitment to our employees: 1. ENDESA's workforce, pp. 166-167 |
| | Annual average of indefinite, temporary and part-time contracts by gender, age and professional category | GRI 102-8 | Ch. Commitment to our employees: 1. ENDESA's workforce, p. 167 |
| | Number of layoffs by gender, age and professional category | Internal framework: Number of layoffs by gender, age and professional category | Ch. Commitment to our employees: 1. ENDESA's workforce, pp. 168-169 |
| | Wage gap | Internal framework: Wage gap calculation | Ch. Commitment to our employees: 2.3.4. Remuneration policy, pp. 176-177 |
| | Average remuneration by gender, age and professional category | GRI 405-2 | Ch. Commitment to our employees: 2.3.4. Remuneration policy, pp. 174-177 |
| | Average remuneration of Directors by gender | GRI 405-2 | Ch. Corporate Governance and Ethical Conduct: 1.2 Remuneration of Directors, pp. 274-275 |
| | Average remuneration of managers by gender | GRI 405-2 | Ch. Commitment to our employees: 2.3.4. Remuneration policy, pp. 176-177 |

| Scope | | Reporting framework | Reference |
|---|---|---|---|
| | Implementation of right to disconnect policies | GRI 103-1, 103-2, 103-3 | Ch. Commitment to our employees: 4. Social Dialogue, p. 185 |
| | Employees with disabilities | GRI 405-1 | Ch. Commitment to our employees: 6.1.3. Promotion of other aspects of diversity (age, nationality and disability), p. 190 |
| Work organisation | Organisation of working time | Internal framework: Organisation of working time | Ch. Commitment to our employees: 4. Social Dialogue, pp. 184-185 |
| | Number of hours of absenteeism | Internal framework: Number of hours of absenteeism | Ch. Occupational Health & Safety: 1.5. Reduction in accident rate, p. 234 |
| | Measures aimed at facilitating the enjoyment of work-life balance and encouraging the sharing of responsibilities in this respect by both parents | Internal framework: Measures aimed at work-life balance | Ch. Commitment to our employees: 6.2. Balancing of work, personal and family life, pp. 191-192 |
| Health and safety | Health and safety conditions at work | GRI 403-1 | Ch. Occupational Health & Safety: 1. ENDESA, a safe and healthy environment, pp. 228-229 |
| | Number of accidents at work and occupational diseases by gender, frequency and severity rate by gender | GRI 403-9, 403-10 | Ch. Occupational Health & Safety: 1.5. Reduction in accident rate, pp. 232-234 |
| Social relationships | Organisation of social dialogue, including procedures for informing and consulting personnel and negotiating with them | GRI 102-43 | Ch. Commitment to our employees: 4. Social Dialogue, pp. 183-184; 5. Work climate 185-186 |
| | Percentage of employees covered by collective agreement by country | GRI 102-41 | Ch. Commitment to our employees: 4. Social Dialogue, p. 184 |
| | Balance of collective agreements, particularly in the field of health and safety at work | GRI 102-41 | Ch. Commitment to our employees: 4. Social Dialogue, pp. 183-184 |
| Training | Policies implemented in the field of training | GRI 103-1, 103-2, 103-3 | Ch. Commitment to our employees: 3. Training, pp. 179-180 |
| | Total number of hours of training by professional categories. | GRI 412-2 | Ch. Commitment to our employees: 3.1. Main figures and significant aspects, pp. 180-181 |
| Universal accessibility of people with disabilities | | Internal framework: Accessibility of people with disabilities | Ch. Commitment to our employees: 6.1.3. Promotion of other aspects of diversity (age, nationality and disability), p. 190 |
| Equality | Measures taken to promote equal treatment and opportunities between women and men | GRI 405-1, 405-2 | Ch. Commitment to our employees: 6.1.2. Promotion of gender equality, pp. 187-189 |
| | Equality plans, measures taken to promote employment, protocols against sexual and gender-based harassment | GRI 103-1, 103-2, 103-3 | Ch. Commitment to our employees: 6.1.2. Promotion of gender equality, pp. 187-189; 2.3.2. Selection of personnel, pp. 173-174 |
| | Integration and universal accessibility of people with disabilities | Internal framework: Integration and universal accessibility of people with disabilities | Ch. Commitment to our employees: 6.1.3. Promotion of other aspects of diversity (age, nationality and disability), p. 190 |
| | Policy against all types of discrimination and, where applicable, diversity management policy | GRI 103-1, 103-2, 103-3 | Ch. Commitment to our employees: 6.1.1. Diversity and Inclusion Policy, pp. 186-187 |

Information on respect for human rights

| Scope | | Reporting framework | Reference |
|---|--|---------------------------------|--|
| Management approach | | | |
| Application of due diligence procedures in the field of human rights | | GRI 102-15, 412-2 | Ch. Commitment to Sustainability: 2.4.2. The Due Diligence process, pp. 26-29 Ch. Commitment to our employees: 3.2. Type and content of the training, pp 172-174 |
| Prevention of risks of violation of human rights and, where necessary, measures to mitigate, manage and repair possible abuses committed | | GRI 102-15, 412-2 | Ch. Commitment to Sustainability: 2.4.2. The Due Diligence process, pp. 26-29; 2.4.3 Opportunities for improvement and action plan, p. 30 Ch. Commitment to our employees: 3.2. Type and content of the training, pp 172-174 |
| Reports of cases of violation of human rights | | GRI 102-15, 102-17, 406-1 | Ch. Commitment to Sustainability: 2.4.2. The Due Diligence process, pp. 26-29 Ch. Commitment to Sustainability: 2.4.4 Whistleblowing and complaint mechanisms, pp. 30-31; 2.4.5 Cases of discrimination and corrective actions taken, p. 31 |
| Promotion and compliance with the provisions of the ILO fundamental agreements related to respect for freedom of association and the right to collective bargaining, the elimination of discrimination in employment and occupation, the elimination of forced or compulsory labour and the effective abolition of child labour | | GRI 402-1, 403-1, 403-4, 102-41 | Ch. Commitment to our employees: 2.3.3 Rejection of forced and child labour, p. 174; 4. Social Dialogue, pp. 183-184 Ch. Supply Chain: 1.4. Sustainability requirements in contracting, pp. 217-218 |

Information regarding the fight against corruption and bribery

| Scope | Reporting framework | Reference |
|---|---|---|
| Management approach | | |
| Measures taken to prevent corruption and bribery | GRI 102-16, 102-17, 405-1, 103-1, 103-2, 103-3, 205-3 | Ch. Corporate Governance and Ethical Conduct: 2. Ethical Conduct and Compliance, pp. 290-295 |
| Measures to fight money laundering | GRI 102-16, 102-17 | Ch. Corporate Governance and Ethical Conduct: 2.5. Measures to fight money laundering, p. 294 |
| Contributions to foundations and non-profit organisations | Internal framework: Contributions to foundations and non-profit organisations | Ch. Commitment to Sustainability: 1.1. ENDESA in figures, pp. 7-8 |

Information about the Company

| Scope | Reporting framework | Reference | |
|---|---|--|--|
| Management approach | | | |
| Commitments of the company with sustainable development | Impact of the Company's activity on local employment and development | GRI 413-1, 413-2 | Ch. Responsible relations with communities 5.1. Achievements, impacts and returns, pp. 209-213 |
| | Impact of the Company's activity on local populations and regions | GRI 413-1, 413-2 | Ch. Responsible relations with communities 5.1. Achievements, impacts and returns, pp. 209-213 |
| | Relations maintained with local community actors and forms of dialogue with them | GRI 102-43 | Ch. Commitment to Sustainability: 5.1.2. ENDESA's communication channels with its stakeholders, pp. 52-53 Ch. Responsible relations with communities: 4. Details of sustainability projects, pp. 200-207 |
| | Partnership or sponsorship actions | Internal framework: Partnership or sponsorship actions | Ch. Commitment to Sustainability: 10. Participation in associations, pp. 77-82/Ch. Responsible relations with communities 5.1.1. Achievements, pp. 210-212/Ch. Enabling infrastructures: 3. Energy poverty and access to electricity for vulnerable customers, pp. 122-124 |
| Subcontracting and suppliers | Inclusion in the purchasing policy of social, gender equality and environmental issues | Internal framework: Inclusion in the purchasing policy of social, gender equality and environmental issues | Ch. Supply Chain: 2. Supplier approval, pp. 218-221; 2.1. Selection of suppliers, the key to sustainability, p. 221 |
| | Consideration of social and environmental responsibility in relations with suppliers and subcontractors | GRI 102-9, 102-10 | Ch. Supply Chain: 3. ESG supply chain management, pp. 222-226 |
| | Supervision systems and audits and their results | Internal framework: Supervision systems and audits and their results | Ch. Supply Chain: 1.4. Sustainability requirements in contracting, pp. 217-218 |
| Consumers | Measures for the health and safety of consumers | GRI 103-1, 103-2, 103-3, 416-1 | Ch. Enabling infrastructures: 1.3. Safety at facilities, p. 117; 5.3. Security measures in products and customer services, p. 133 |
| | Claim systems | Internal framework: Claim systems | Ch. Enabling infrastructures: 2.3. Efficient resolution of customer complaints pp. 121-122 |
| | Complaints received and resolution thereof | Internal framework: Complaints received and resolution thereof | |
| Tax information | Benefits obtained country by country | GRI 201-4, 207-4 | Ch. Commitment to Sustainability: 1.1. ENDESA in figures, pp. 7-8 |
| | Taxes paid on income | | Ch. Commitment to Sustainability: 3.1.4 Generation of wealth in 2020, pp. 31-32 |
| | Public grants received | | Ch. Corporate Governance and Ethical Conduct: 1.7.3. Tax contribution, pp. 285-290 |

APPENDIX IV SASB content index

| Category | Standard Number | Disclosure Number | GRI correspondence | Disclosure Title | Disclosure Type | Reference |
|---------------|-----------------|-------------------|----------------------|--|-----------------|--|
| Environmental | IF-EU-110 | IF-EU-110a.1 | 305-1 | Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations, and emissions-reporting regulations | Quantitative | Ch. Decarbonisation 1.5. Metrics and objectives, p. 108 |
| Environmental | IF-EU-110 | IF-EU-110a.2 | 305-3 | Greenhouse gas (GHG) emissions associated with power deliveries | Quantitative | Ch. Decarbonisation 1.5. Metrics and objectives, p. 110 |
| Environmental | IF-EU-110 | IF-EU-110a.3 | 102-15; 201-2 | Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets | Qualitative | Ch. Commitment to sustainability: 4.5. Main sustainability risks, pp. 45-49; 6. ENDESA's Sustainability Plan 2021-2023, pp. 58-65 Ch. Decarbonisation: 1.4. Risk management, pp. 96-107 |
| Environmental | IF-EU-110 | IF-EU-110a.4 | N/A | Number of customers served in markets subject to renewable portfolio standards (RPS) and percentage fulfilment of RPS target by market | Quantitative | Not applicable |
| Environmental | IF-EU-120 | IF-EU-120a.1 | 305-7 | Atmospheric emissions of the following pollutants: NOx (excluding N2O), SOx, particulate matter (PM10), lead (Pb), and mercury (Hg); percentage of each in or near areas of dense population | Quantitative | Ch. Environmental sustainability: 2.2. Air Quality, pp. 251-252 Data available for: SO2, NOx, PM10 and Hg. |
| Environmental | IF-EU-140 | IF-EU-140a.1 | 303-3; 303-5 | Total water withdrawn, total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress | Quantitative | Ch. Environmental sustainability: 2.5.1. Water consumption; pp. 254-256 2.5.2. Water discharge, p. 257 The calculation of the areas affected by water stress is based on the World Resources Institute's (WRI) Water Risk Atlas tool, Aqueduct. |
| Environmental | IF-EU-140 | IF-EU-140a.2 | N/A | Number of incidents of non-compliance associated with water quantity and/or quality permits, standards, and regulations | Quantitative | Not available |
| Environmental | IF-EU-140 | IF-EU-140a.3 | 303-1; 303-2; 102-15 | Description of water management risks and discussion of strategies and practices to mitigate those risks | Qualitative | Ch. Environmental sustainability: 2.5. Water resources, pp. 253-254 Ch. Commitment to sustainability: 4.5. Main sustainability risks, pp. 45-49 |
| Environmental | IF-EU-150 | IF-EU-150a.1 | 306-4 | Amount of coal combustion residuals (CCR) generated, percentage recycled | Quantitative | Ch. Environmental sustainability: 2.6.1 Products of coal combustion, p. 260 |
| Environmental | IF-EU-150 | IF-EU-150a.2 | N/A | Total number of coal combustion residual (CCR) impoundments, broken down by hazard potential classification and structural integrity assessment | Quantitative | Not applicable |

| Category | Standard Number | Disclosure Number | GRI correspondence | Disclosure Title | Disclosure Type | Reference |
|----------|-----------------|-------------------|--|--|--------------------------|--|
| Social | IF-EU-240 | IF-EU-240a.1 | N/A | Average retail electric rate for residential, commercial, and industrial customers | Quantitative | Not applicable |
| Social | IF-EU-240 | IF-EU-240a.2 | N/A | Typical monthly electric bill for residential customers for 500 kWh and 1,000 kWh of electricity delivered per month | Quantitative | Not applicable |
| Social | IF-EU-240 | IF-EU-240a.3 | EU27 | Number of residential customer electric disconnections for non-payment, percentage reconnected within 30 days | Quantitative | Ch. Enabling Infrastructures; 3.1. Cut-offs due to non-payment and reconnections for domestic customers, pp. 123-124 |
| Social | IF-EU-240 | IF-EU-240a.4 | EU 28; EU 29; EU 10; 103-1; 103-2; 103-3 | Discussion of impact of external factors on customer affordability of electricity, including the economic conditions of the service territory | Qualitative | Ch. Enabling Infrastructures; 1. The quality and safety of electricity supply as a priority, pp. 115-117 |
| Social | IF-EU-320 | IF-EU-320a.1 | 403-9; 403-10 | Total recordable incident rate (TRIR), fatality rate, and near miss frequency rate (NMFR) | Quantitative | Ch. Occupational Health & Safety: 1.5. Reduction in accident rate, pp. 232-234 |
| Social | IF-EU-420 | IF-EU-420a.1 | N/A | Percentage of electric utility revenues from rate structures that (1) are decoupled and (2) contain a lost revenue adjustment mechanism (LRAM) | Quantitative | Not applicable |
| Social | IF-EU-420 | IF-EU-420a.2 | N/A | Percentage of electric load served by smart grid technology | Qualitative/Quantitative | Not available |
| Social | IF-EU-420 | IF-EU-420a.3 | N/A | Customer electricity savings from efficiency measures, by market (megawatt hours) | Qualitative/Quantitative | Not available |
| Social | IF-EU-540 | IF-EU-540a.1 | N/A | Total number of nuclear power units, broken down by US Nuclear Regulatory Commission (NRC) Action Matrix Column | Quantitative | Not available |
| Social | IF-EU-540 | IF-EU-540a.2 | EU21 | Description of efforts to manage nuclear safety and emergency preparedness | Qualitative | Ch. Environmental sustainability: 1.6. Management of nuclear activity pp. 243-245 |
| Economic | IF-EU-550 | IF-EU-550a.1 | N/A | Number of incidents of non-compliance with physical and / or cybersecurity standards or regulations | Quantitative | Not available |
| Economic | IF-EU-550 | IF-EU-550a.2 | EU28; EU29 | System Average Interruption Duration Index (SAIDI), System Average Interruption Frequency Index (SAIFI), and Customer Average Interruption Duration Index (CAIDI), inclusive of major event days | Quantitative | Ch. Enabling infrastructures: 1.2. Continuity in supply p. 116 Only the indicators SAIDI (called NIEPI following Spanish legislation) and SAIFI (called TIEPI following Spanish legislation) are reported. The CAIDI indicator is not available |
| Social | IF-EU-000 | IF-EU-000.A | N/A | Number of residential, commercial, and industrial customers served | Quantitative | Ch. Commitment to sustainability: 1.1. ENDESA in figures pp. 7-8 Information partially available |

| Category | Standard Number | Disclosure Number | GRI correspondence | Disclosure Title | Disclosure Type | Reference |
|----------|-----------------|-------------------|--------------------|---|-----------------|---|
| General | IF-EU-000 | IF-EU-000.B | N/A | Total electricity delivered to residential, commercial, industrial, all other retail customers, and wholesale customers | Quantitative | Ch. Commitment to sustainability: 1.1. ENDESA in figures, pp. 7-8 Information partially available |
| General | IF-EU-000 | IF-EU-000.C | EU4 | Length of transmission and distribution lines | Quantitative | Ch. Enabling Infrastructures; 1. The quality and safety of electricity supply as a priority, pp. 115-117 |
| General | IF-EU-000 | IF-EU-000.D | EU2 | Total electricity generated, percentage by major energy source, percentage in regulated markets | Quantitative | Ch. Commitment to sustainability: 1.1. ENDESA in figures, pp. 7-8 Only the data on electricity generated and the percentage by technology are available. |
| Economic | IF-EU-000 | IF-EU-000.E | N/A | Total wholesale electricity purchased | Quantitative | Not available |

APPENDIX V: Public independent review report

102-56

**Verification Report on the Non-Financial
Information and Sustainability Statement for
the year ended 31 December 2020**



KPMG Asesores, S.L.
Pº de la Castellana, 259 C
28046 Madrid

Independent Assurance Report on the Non-Financial Information and Sustainability Statement 2020 of Endesa, S.A. and subsidiaries for 2020

(Translation from the original in Spanish. In the case of discrepancy, the Spanish language version prevails)

To the Shareholders of Endesa, S.A.:

We have been engaged by Endesa, S.A. management to perform a limited assurance review of the accompanying Non-Financial Information and Sustainability Statement 2020 for the year ended 31 December 2020 of Endesa, S.A. (hereinafter the Parent) and subsidiaries (hereinafter the Group), prepared in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards): core option and with the Electric Utilities Sector Supplement (hereinafter the Report).

In addition, pursuant to article 49 of the Spanish Code of Commerce, we have performed a limited assurance review to verify that the Consolidated Non-Financial Information and Sustainability Statement 2020 (hereinafter NFIS) of the group for the year ended 31 December 2020, included in the Report, has been prepared in accordance with the contents required by prevailing mercantile legislation.

Responsibility of the Parent's Directors and Management

Management of the Parent is responsible for the preparation and presentation of the Report in accordance with the GRI Standards: core option for each subject area in the "GRI Content Index" of the aforementioned Report.

The Directors of the Parent are responsible for the contents and the authorisation for issue of the NFIS which has been prepared in accordance with the contents required by prevailing mercantile legislation and selected GRI Standards for each subject area in the "Index of contents required by Law 11/2008 of 28 December 2018 on non-financial information and diversity" of the aforementioned Report.

This responsibility also encompasses the design, implementation and maintenance of the internal control deemed necessary to ensure that the Report is free from material misstatement, whether due to fraud or error.

The Directors of the Parent are also responsible for defining, implementing, adapting and maintaining the management systems used to obtain the information required to prepare the Report.



Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including international independence standards) issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team comprised professionals specialised in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report, based on the work performed.

We conducted our review engagement in accordance with the requirements of the Revised International Standard on Assurance Engagements 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines for assurance engagements on the Non-Financial Information Statement issued by the Spanish Institute of Registered Auditors (ICJCE).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently, the level of assurance provided is also lower.

Our work consisted of making inquiries of management and of the different units and areas of the Parent that participated in the preparation of the Report, reviewing the processes for compiling and validating the information presented in the Report and applying certain analytical procedures and sample review tests, which are described below:

- Meetings with the Parent's personnel to gain an understanding of the business model, policies and management approaches applied, and the principal risks related to these matters, and to obtain the information necessary for the external review.
- Analysis of the scope, relevance and completeness of the content of the Report based on the materiality analysis performed by the Parent and described in section 5 "Study of Materiality" in the chapter entitled "Commitment to sustainability" considering the content required by prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the information presented in the Report for 2020.
- Review of the information related to the risks, policies and management approaches applied in relation to the material aspects presented in the Report for 2020.



- Corroboration, through sample testing, of the information relative to the content of the Report for 2020 and whether it has been adequately compiled based on data provided by the information sources.
- Procurement of a representation letter from the Directors and management.

Conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that:

- a) The Non-Financial Information and Sustainability Statement 2020 of Endesa, S.A. and subsidiaries for the year ended 31 December 2020 has not been prepared, in all material respects, in accordance with the GRI Standards: core option, and the Electric Utilities Sector Supplement, as described in point 102-54 of the GRI content index.
- b) The Non-Financial Information and Sustainability Statement 2020 of Endesa, S.A. and subsidiaries for the year ended 31 December 2020 has not been prepared, in all material respects, in accordance with the contents included in prevailing mercantile legislation and with the GRI Standards selected, in accordance with each subject area in the “Index of contents required by Law 11/2018, of 28 December 2018 on non-financial information and diversity” of the Report.

Other matters

On 24 February 2020 a different assurance provider issued a favourable independent assurance report on the Consolidated Non-Financial Information Statement of Endesa, S.A. and its subsidiaries for 2020.

Use and Distribution

In accordance with the terms of our engagement, this independent assurance report has been prepared for Endesa S.A. in relation to its Non-Financial Information and Sustainability Statement 2020 and for no other purpose or in any other context.

This report has been prepared in relation to the Consolidated Non-Financial Information and Sustainability Statement 2020 in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

KPMG Asesores, S.L.

(Signed on original in Spanish)

Ramón Pueyo Viñuales

23 February 2021

Formulation Signatures
ENDESA, S.A. and Subsidiaries
Consolidated Management Report
for the year ended 31 December 2020

(Translation from the original issued in Spanish. In the event of discrepancy, the Spanish-language version prevails)

The Consolidated Management Report of ENDESA, Sociedad Anónima and its SUBSIDIARY COMPANIES for fiscal year ending December 31, 2020 was drafted in electronic format by the Board of Directors of the company ENDESA, Sociedad Anónima at its meeting on February 23, 2021, following the format requirements established in the Delegated Regulation EU 2019/815 of the European Commission, and is hereinbelow signed by all of its Directors in compliance with Article 253 of the Spanish Capital Corporations Law (*Ley de Sociedades de Capital*).

| | |
|--|---|
| D. Juan Sánchez-Calero Guilarte Chairman | D. Francesco Starace Vice Chairman |
| D. José Damián Bogas Gálvez Chief Executive Officer | Dña. Eugenia Bieto Caubet Director |
| D. Antonio Cammisecra Director | D. Alejandro Echevarría Busquet Director |
| D. Ignacio Garralda Ruiz de Velasco Director | Dña. Pilar González de Frutos Director |
| Dña. Maria Patrizia Grieco Director | Dña. Alicia Koplowitz y Romero de Juseu Director |
| D. Francisco de Lacerda Director | D. Alberto de Paoli Director |
| D. Miquel Roca Junyent Director | |

Statement of Responsibility
Annual Financial Report
for the year ended 31 December 2020

STATEMENT OF RESPONSIBILITY

ANNUAL FINANCIAL REPORT FISCAL YEAR 2020

The members of the Board of Directors of Endesa S.A., in accordance with Article 8 of Royal Decree 1362/2007, of October 19, state that, to the best of their knowledge, the Individual and Consolidated Annual Financial Statements for the fiscal year ending on December 31, 2020, drafted at its meeting on February 23, 2021, were issued in accordance with all applicable accounting principles and offer a true and fair view of the equity, financial position, and earnings of Endesa S.A. and the companies within its consolidation perimeter, and that the individual and consolidated management reports for fiscal year 2020 provide a faithful analysis of its business performance and results and of the financial position of Endesa, S.A. and the companies within its consolidation perimeter as a whole, together with a description of the main risks and uncertainties faced thereby.

| | |
|--|---|
| D. Juan Sánchez-Calero Guilarte Chairman | D. Francesco Starace Vice Chairman |
| D. José Damián Bogas Gálvez Chief Executive Officer | Dña. Eugenia Bieto Caubet Director |
| D. Antonio Cammisecra Director | D. Alejandro Echevarría Busquet Director |
| D. Ignacio Garralda Ruiz de Velasco Director | Dña. Pilar González de Frutos Director |
| Dña. Maria Patrizia Grieco Director | Dña. Alicia Koplowitz y Romero de Juseu Director |
| D. Francisco de Lacerda Director | D. Alberto de Paoli Director |
| D. Miquel Roca Junyent Director | |

Madrid, 23 February 2021