

**ENDESA, S.A.**

**Individual 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.**  
**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.

(Together with the annual accounts and directors' report of Endesa, S.A. 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 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.

### **REPORT ON THE ANNUAL ACCOUNTS**

#### **Opinion**

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We have audited the annual accounts of Endesa, S.A. (the "Company"), which comprise the balance sheet at 31 December 2020, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2.2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

#### **Basis for Opinion**

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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 Annual Accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts pursuant to the legislation regulating the audit of accounts in Spain. 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**

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

<b>Provisions for pensions and similar obligations and provisions for workforce restructuring plans</b> See notes 4.f, 11.1 and 11.2.2 to the annual accounts	
<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Company has obligations to personnel in relation to pensions and other similar non-current provisions amounting to Euros 40 million. The variety of agreements requires an individual analysis of the agreed terms and the related accounting implications.</p> <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 income statement has been income of Euros 23 million, and a positive Euros 2 million on the statement of recognised income and expense.</p> <p>At 31 December 2020, provisions for workforce restructuring plans involving contract suspension agreements amount to Euros 185 million.</p> <p>During the year, the Company recognised an expense of Euros 108 million in the income statement for the total cost of the commitments acquired with employees or their trade union representatives, in which the Company 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"> <li>– 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.</li> <li>– Reading and understanding of the V Framework Collective Bargaining Agreement and other commitments assumed with personnel.</li> <li>– Evaluation of the completeness and accuracy of the databases used for the beneficiaries of the different commitments.</li> <li>– Involvement of our actuarial specialists to analyse the reasonableness of the calculation method and main actuarial assumptions applied by the Company.</li> <li>– Procurement and understanding of the actuarial reports prepared by independent experts.</li> <li>– Procurement of written confirmation of the competence and objectivity of the independent experts and evaluation of their experience, technical capacity and accreditations.</li> <li>– Assessing whether the disclosures in the annual accounts comply with the requirements of the applicable financial reporting framework.</li> </ul>



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## Impairment of non-current investments in Group companies and associates

See notes 4.d.3 and 8.1 to the annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 31 December 2020 the Company has recognised non-current investments in Group companies and associates amounting to Euros 18,878 million. At each year-end, the Company estimates the recoverable amount of investments for which there are indications of impairment.</p> <p>Recoverable amount is the higher of the fair value less costs to sell and the present value of future cash flows from the investment, estimated as its share in the cash flows expected to be generated from both its ordinary activities and its disposal.</p> <p>To estimate the recoverable amount, 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"><li>– Analysis of the design and implementation of the key controls related to the determination of the recoverable amount.</li><li>– Analysis of indicators of impairment of non-current investments in Group companies and associates identified by the Company.</li><li>– Analysis of the consistency of the future cash flows included in the valuation model with the business plans approved by the governing bodies.</li><li>– Evaluation of the reasonableness of the methodology used to calculate the recoverable amount of investments in Group companies and associates, and the main assumptions considered, with the involvement of our financial valuation specialists.</li><li>– Evaluation of the sensitivity of the recoverable amount to changes in certain assumptions that can be considered reasonable.</li><li>– Assessing whether the disclosures in the annual accounts comply with the requirements of the applicable financial reporting framework.</li></ul>

### Other Matters

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

### Other Information: Directors' Report

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



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

- a) Determine, solely, whether the 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 directors' report with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned annual accounts. Also, assess and report on whether the content and presentation of this part of the 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 directors' report is consistent with that disclosed in the annual accounts for 2020, and that the content and presentation of the report are in accordance with applicable legislation.

### **Directors' and Audit and Compliance Committee's Responsibility for the Annual Accounts**

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

In preparing the annual accounts, the Directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Annual Accounts**

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Our objectives are to obtain reasonable assurance about whether the 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.

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 annual accounts.



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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 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with Endesa, S.A.'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 entity'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.

From the matters communicated to the entity's Audit and Compliance Committee, we determine those that were of most significance in the audit of the 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.





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## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **European Single Electronic Format**

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We have examined the digital file of Endesa, S.A. for 2020 in European Single Electronic Format (ESEF) comprising an XHTML file with the annual accounts for the aforementioned year, 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 file prepared by the Company's Directors, 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 annual accounts included in the aforementioned digital file fully corresponds to the annual accounts we have audited, and whether the annual accounts have been formatted, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital file examined fully corresponds to the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements of the ESEF Regulation.

### **Additional Report to the Audit Committee**

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

### **Contract Period**

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We were appointed as auditor by the shareholders at the ordinary general meeting on 12 April 2019 for a period of three years, beginning after 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.**

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

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## ENDESA, S.A.

### STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2020 AND 2019

Millions of euros

	Note	31 December 2020	31 December 2019
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>	5	113	118
Patents, licences, trademarks and similar		4	5
Software applications		109	113
<b>Property, plant and equipment</b>	6	2	2
Technical Installations and other Property, Plant and Equipment		2	2
<b>Long-Term Investments in Group Companies and Associates</b>	8 and 18.2	18,878	18,893
Equity instruments		18,878	18,893
<b>Long-Term Financial Investments</b>	8	31	30
Equity instruments		4	4
Loans to third parties		4	4
Derivatives	14	7	1
Other financial assets		16	21
<b>Deferred tax assets</b>	15.6	130	118
<b>CURRENT ASSETS</b>			
<b>Trade and other receivables</b>		236	164
Other receivables		52	36
Receivables from Group Companies and Associates	18.2	182	125
Receivable from employees		1	1
Other receivables from Public Administrations	15.8	1	2
<b>Short-Term Investments in Group Companies and Associates</b>	8 and 18.2	419	915
Loans to companies		88	111
Derivatives	14	-	2
Other financial assets		331	802
<b>Short-Term Financial Investments</b>	8	10	35
Loans to third parties		10	10
Derivatives	14	-	25
<b>Short-Term Accruals</b>		1	-
<b>Cash and cash equivalents</b>		130	31
Cash in hand and at banks		130	31
<b>TOTAL ASSETS</b>		<b>19,950</b>	<b>20,306</b>

Notes 1 to 23 to the Financial Statements form an integral part of the Statements of Financial Position at 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.

### STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2020 AND 2019

Millions of euros

	Note	31 December 2020	31 December 2019
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>		<b>8,955</b>	<b>8,206</b>
<b>Capital and reserves</b>	10	<b>8,981</b>	<b>8,219</b>
<b>Share capital</b>		<b>1,271</b>	<b>1,271</b>
Registered capital		1,271	1,271
<b>Issue premium</b>		<b>89</b>	<b>89</b>
<b>Reserves</b>		<b>1,436</b>	<b>1,441</b>
Legal and statutory		254	254
Other reserves		1,182	1,187
<b>(Treasury Stocks)</b>		<b>(2)</b>	<b>-</b>
<b>Retained earnings/accumulated losses</b>		<b>4,597</b>	<b>4,517</b>
Retained earnings		4,597	4,517
<b>Profit/(loss) for the year</b>		<b>2,330</b>	<b>1,642</b>
<b>Interim dividend</b>	3 and 10.5	<b>(741)</b>	<b>(741)</b>
<b>Other equity instruments</b>		<b>1</b>	<b>-</b>
<b>Value adjustments</b>		<b>(26)</b>	<b>(13)</b>
Hedging transactions		(26)	(13)
<b>NON-CURRENT LIABILITIES</b>		<b>8,725</b>	<b>10,153</b>
<b>Long-Term Provisions</b>	11	<b>307</b>	<b>253</b>
Obligations in respect of Long-Term Employee Benefits		57	78
Provisions for workforce restructuring plans		185	121
Other provisions		65	54
<b>Long-Term Debts</b>	12	<b>2,081</b>	<b>1,856</b>
Bonds and other negotiable securities		20	-
Bank Borrowings		2,023	1,835
Finance lease payables		1	1
Derivatives	14	34	17
Other financial liabilities		3	3
<b>Long-Term Debts to Group Companies and Associates</b>	12 and 18.2	<b>6,303</b>	<b>8,010</b>
Debts to Group Companies and Associates		6,303	8,009
Derivatives	14	-	1
<b>Deferred tax liabilities</b>	15.7	<b>34</b>	<b>34</b>
<b>CURRENT LIABILITIES</b>		<b>2,270</b>	<b>1,947</b>
<b>Short-Term Provisions</b>	11	<b>49</b>	<b>56</b>
Provisions for workforce restructuring plans		40	47
Other provisions		9	9
<b>Short-Term Debts</b>	12	<b>1,474</b>	<b>1,076</b>
Bank Borrowings		83	49
Finance lease payables		1	1
Derivatives	14	1	3
Other financial liabilities		1,389	1,023
<b>Short-Term Debts to Group Companies and Associates</b>	12 and 18.2	<b>604</b>	<b>637</b>
Debts to Group Companies and Associates		74	75
Derivatives	14	-	27
Other financial liabilities		530	535
<b>Trade and other payables</b>		<b>143</b>	<b>178</b>
Group company and associate suppliers	18.2	34	47
Sundry creditors		84	95
Personnel (remuneration payable)		19	29
Other payables to Public Administrations	15.8	6	7
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>19,950</b>	<b>20,306</b>

Notes 1 to 23 to the accompanying Financial Statements form an integral part of the Statements of Financial Position at 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.

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

Millions of euros

	Note	2020	2019
<b>CONTINUING OPERATIONS</b>			
<b>Net revenue</b>	16.1	<b>2,866</b>	<b>2,137</b>
Provision of services		281	282
Dividend income from Group Companies and Associates	8.1.1 and 18.1	2,585	1,855
<b>Self-constructed assets</b>	5	<b>2</b>	<b>2</b>
<b>Procurements</b>		<b>-</b>	<b>(1)</b>
Consumption of raw materials and other consumables		-	(1)
<b>Other Operating Income</b>		<b>6</b>	<b>5</b>
Ancillary and other administrative income		6	5
<b>Personnel Expenses</b>	16.2	<b>(239)</b>	<b>(180)</b>
Wages and salaries and similar		(119)	(142)
Social Charges		(38)	(34)
Provisions		(82)	(4)
<b>Other operating expenses</b>	16.3	<b>(189)</b>	<b>(173)</b>
External services		(105)	(120)
Taxes other than income tax		(6)	(3)
Other administrative expenses		(78)	(50)
<b>Depreciation and amortisation of non-current assets</b>	5 and 6	<b>(32)</b>	<b>(32)</b>
<b>Provision surpluses</b>	11.3	<b>2</b>	<b>5</b>
<b>Impairment and Results of Investments in Group Companies and Associates</b>	8, 11.3 and 18.1	<b>4</b>	<b>-</b>
<b>EBIT</b>		<b>2,420</b>	<b>1,763</b>
<b>Financial Income</b>	16.4	<b>5</b>	<b>7</b>
<b>From marketable securities and receivables relating to fixed assets</b>		<b>5</b>	<b>7</b>
Group Companies and Associates	18.1	-	1
Other		5	6
<b>Financial expense</b>	16.4	<b>(178)</b>	<b>(193)</b>
Interest on borrowings from Group Companies and Associates	18.1	(159)	(172)
Interest on debts to third parties		(15)	(14)
Provision adjustments		(4)	(7)
<b>Change in fair value of financial instruments</b>		<b>-</b>	<b>(1)</b>
Trading Portfolio and others		-	(1)
<b>Exchange gains/(losses)</b>		<b>1</b>	<b>5</b>
<b>Impairment of and Gains/(Losses) on Disposals of Financial Instruments</b>		<b>(1)</b>	<b>(1)</b>
Impairment	8.2	(1)	(1)
<b>NET FINANCE INCOME/(EXPENSE)</b>		<b>(173)</b>	<b>(183)</b>
<b>PROFIT BEFORE TAX</b>		<b>2,247</b>	<b>1,580</b>
<b>Corporate Income tax</b>	15	<b>83</b>	<b>62</b>
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>2,330</b>	<b>1,642</b>
<b>PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS, NET OF TAX</b>		<b>-</b>	<b>-</b>
<b>PROFIT FOR THE YEAR</b>		<b>2,330</b>	<b>1,642</b>

The accompanying Notes 1 to 23 to the Financial Statements form an integral part of the 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.

### STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

#### A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

Millions of euros

	Note	2020	2019
<b>RESULT FROM THE INCOME STATEMENT</b>		<b>2,330</b>	<b>1,642</b>
<b>INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY</b>			
From cash flow hedges	14	(24)	(17)
From Actuarial Gains and Losses and other Adjustments	11.1	(7)	(5)
Tax effect	15	8	6
<b>TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY</b>		<b>(23)</b>	<b>(16)</b>
<b>TRANSFERS TO PROFIT AND LOSS</b>			
From cash flow hedges	14	7	-
Tax effect	15	(2)	-
<b>TOTAL TRANSFERS TO PROFIT AND LOSS</b>		<b>5</b>	<b>-</b>
<b>TOTAL RECOGNISED INCOME/(EXPENSE)</b>		<b>2,312</b>	<b>1,626</b>

Notes 1 to 23 to the Financial Statements form an integral part of the Statements of Recognised Income and Expense 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.

### STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

#### B) STATEMENTS OF TOTAL CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

Millions of euros

Note	31 December 2020								Total Equity
	Capital and reserves							Value adjustments	
	Share capital (Note 10.1)	Issue premium (Note 10.2)	Reserves and retained earnings/accumulated losses	(Treasury Stocks) (Note 10.4)	Profit/(loss) for the year (Note 3)	(Interim dividend) (Note 3)	Other equity instruments		
<b>Balance at 31 December 2019</b>	1,271	89	5,958	-	1,642	(741)	-	(13)	8,206
<b>TOTAL RECOGNISED INCOME/(EXPENSE)</b>	-	-	(5)	-	2,330	-	-	(13)	2,312
<b>Transactions with shareholders</b>	-	-	-	(2)	-	(741)	-	-	(743)
Dividends paid	3 and 10.5	-	-	-	-	(741)	-	-	(741)
Transactions with Own Shares	-	-	-	(2)	-	-	-	-	(2)
<b>Other changes in equity</b>	-	-	80	-	(1,642)	741	1	-	(820)
Distribution of profit	3	-	80	-	(1,642)	741	-	-	(821)
Other changes	-	-	-	-	-	-	1	-	1
<b>Balance at 31 December 2020</b>	1,271	89	6,033	(2)	2,330	(741)	1	(26)	8,955

Millions of euros

Note	31 December 2019								Total Equity
	Capital and reserves							Value adjustments	
	Share capital (Note 10.1)	Issue premium (Note 10.2)	Reserves and retained earnings/accumulated losses	(Treasury Stocks) (Note 10.4)	Profit/(loss) for the year (Note 3)	(Interim dividend) (Note 3)	Other equity instruments		
<b>Balance at 31 December 2018</b>	1,271	89	5,961	-	1,511	(741)	-	-	8,091
<b>TOTAL RECOGNISED INCOME/(EXPENSE)</b>	-	-	(3)	-	1,642	-	-	(13)	1,626
<b>Transactions with shareholders</b>	-	-	-	-	-	(741)	-	-	(741)
Dividends paid	3 and 10.5	-	-	-	-	(741)	-	-	(741)
<b>Other changes in equity</b>	-	-	-	-	(1,511)	741	-	-	(770)
Distribution of profit	3	-	-	-	(1,511)	741	-	-	(770)
<b>Balance at 31 December 2019</b>	1,271	89	5,958	-	1,642	(741)	-	(13)	8,206

Notes 1 to 23 to the Financial Statements form an integral part of the Statements of Total Changes in Equity 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.

### STATEMENTS OF CASH FLOWS

#### FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

Millions of euros

	Note	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>2,780</b>	<b>2,190</b>
<b>Profit before tax</b>		<b>2,247</b>	<b>1,580</b>
<b>Adjustments for:</b>		<b>(2,301)</b>	<b>(1,642)</b>
Income from dividends	8.1, 16.1 and 18.1	(2,585)	(1,855)
Depreciation and amortisation of non-current assets	5 and 6	32	32
Impairment losses		2	1
Changes in provisions		83	(4)
Gains/(losses) on derecognition and disposal of financial instruments	8.1 and 18.1	(4)	-
Financial Income	16.4	(5)	(7)
Financial expense	16.4	178	193
Exchange gains/(losses)		(1)	(1)
Change in the fair value of financial instruments		-	1
Other adjustments to the Result		(1)	(2)
<b>Changes in working capital</b>		<b>(112)</b>	<b>6</b>
<b>Other cash flows from/(used in) operating activities:</b>		<b>2,946</b>	<b>2,246</b>
Interest paid		(181)	(176)
Dividends received		3,056	2,421
Interest received		4	6
Income tax received/(paid)		112	35
Other proceeds/(payments)		(45)	(40)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(22)</b>	<b>(30)</b>
<b>Payments for investments</b>		<b>(52)</b>	<b>(38)</b>
Group Companies and Associates	8.1	(16)	-
Property, plant and equipment and intangible assets		(33)	(35)
Other financial assets		(3)	(3)
<b>Proceeds from sale of investments</b>		<b>30</b>	<b>8</b>
Group Companies and Associates		22	-
Other financial assets		8	8
<b>CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>(2,659)</b>	<b>(2,142)</b>
<b>Proceeds from and (payments for) equity instruments</b>		<b>(2)</b>	<b>-</b>
Acquisition of Equity Instruments		(2)	-
<b>Proceeds from and (Payments) for Financial Liability Instruments</b>		<b>(1,095)</b>	<b>(631)</b>
Issue		721	1,465
Redemption and repayment		(1,816)	(2,096)
<b>Dividends and remuneration of other equity instruments paid</b>		<b>(1,562)</b>	<b>(1,511)</b>
Dividends	10.5	(1,562)	(1,511)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>99</b>	<b>18</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>		<b>31</b>	<b>13</b>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b>130</b>	<b>31</b>

Notes 1 to 23 to the financial statements form an integral part of the Statements of Cash Flows for the years ended 31 December 2020 and 2019.



## ENDESA, S.A.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER

2020

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

## **ENDESA, S.A.**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **1. Company activity and Financial Statements**

ENDESA, S.A. (hereinafter “the Company”) was incorporated with limited liability under Spanish law on 18 November 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. Its registered offices and headquarters are at Calle Ribera del Loira 60, Madrid.

Its corporate purpose is the electricity business in all 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 preliminary or supplementary to the Group’s corporate purpose, and the management of the corporate Group, comprising investments in other companies.

The Company carries out its corporate objects in Spain and abroad directly or through its investments in other companies.

To comply with Electricity Sector Law 24/2013 of 26 December, derogating from previous Law 54/1997 of 27 November on the electricity sector, ENDESA, S.A. underwent a corporate restructuring to separate its various electricity activities. Since then, ENDESA, S.A.’s activity has focused primarily on administration and services for its business group, comprising the investments detailed in these financial statements.

The Company’s shares are officially admitted to trading on the Spanish Stock Exchanges.

The Company’s financial statements for the year ended 31 December 2020 were drawn up by the Board of Directors on 23 February 2021 and will be submitted for approval by the General Shareholders’ Meeting. They are expected to be approved with no changes. The financial statements for the year ended 31 December 2019 were formulated by the Board of Directors on 24 February 2020 and approved by the shareholders at the General Meeting on 5 May 2020 and filed with the Madrid Trade & Companies Register.

The Company holds interests in subsidiaries, joint ventures and associates. Consequently, in accordance with prevailing legislation, the Company is the parent of a group of companies. In accordance with generally accepted accounting principles and standards, consolidated financial statements must be prepared to present truly and fairly the financial position of the business Group, the results of its operations, changes in its equity and its cash flows. Details of investments in Group companies, joint ventures and associates are presented in Note 8.1.1.

On 23 February 2021, the Directors formulated the consolidated financial statements of ENDESA, S.A. and subsidiaries for the year ended 31 December 2020 prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union (EU-IFRS). The Consolidated Financial Statements of ENDESA, S.A. and its subsidiaries for the year ended 31 December 2019 were approved by the Board of Directors on 24 February 2020, ratified by the shareholders at the General Shareholders’ Meeting on 05 May 2020 and filed with the Madrid Trade & Companies Register.

The key figures from the consolidated financial statements for 2020 and 2019 of ENDESA, S.A. and subsidiaries are as follows:

Millions of euros	31 December 2020	31 December 2019
<b>Total Assets</b>	<b>32,062</b>	<b>31,981</b>
<b>Equity</b>	<b>7,465</b>	<b>7,837</b>
Of the Parent	7,315	7,688
Of Non-Controlling Interests	150	149
<b>Income</b>	<b>17,579</b>	<b>20,158</b>
<b>Profit after tax from continuing operations</b>	<b>1,400</b>	<b>180</b>
<b>Profit after tax from discontinued operations</b>	<b>-</b>	<b>-</b>
<b>Profit/(loss) for the year</b>	<b>1,400</b>	<b>180</b>
Of the Parent	1,394	171
Of Non-Controlling Interests	6	9

At 31 December 2020 and 2019, the ENEL Group controlled 70.1% of ENDESA, S.A. through ENEL Iberia, S.L.U., giving it control of the company (see Note 10.1).

The registered offices of ENEL Iberia, S.L.U. and ENEL, S.p.A. are located at Calle Ribera del Loira, 60, 28042 Madrid (Spain) and Viale Regina Margherita, 137, 00198 Rome (Italy), respectively.

The financial statements of ENEL Iberia, S.L.U. for the year ended 31 December 2019 were approved on 20 March 2020, ratified by the sole shareholder on 12 May 2020 and filed with the Madrid Trade & Companies Register.

The consolidated financial statements of ENEL, S.p.A., parent company of ENDESA, S.A., and its subsidiaries for the year ended 31 December 2019, were approved by the shareholders at the General Shareholders' Meeting held on 14 May 2020 and filed with the Rome and Madrid Trade & Companies Registers.

## 2. Basis of presentation of the Financial Statements

### 2.1. True and fair presentation.

The financial statements for the year ended 31 December 2020 are presented in accordance with Law 16/2007 of 4 July 2007, on the reform and adaptation of accounting legislation for harmonisation with EU law, and the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 of 16 November 2007 and the amendments thereto established by Royal Decree 1159/2010 of 17 September 2010, and by Royal Decree 602/2016, of 2 December 2016.

The financial statements present fairly the equity and financial position of the Company at 31 December 2020, and the results of its operations, changes in equity and cash flows for the years then ended, and have been prepared on the basis of the Company's accounting records.

### 2.2. Accounting principles

The accounting principles and policies applied in preparing these Financial Statements are those set out in the Spanish General Chart of Accounts and are summarised in Note 4. All mandatory accounting principles with an effect on equity, the financial position and profit or loss were applied in preparing these financial statements.

### 2.3. Responsibility for information and estimates.

The Company's Directors are responsible for the information included in the Financial Statements.

In preparing these Financial Statements, the Company's Directors made certain estimates to measure certain assets, liabilities, income, expenses and commitments included therein. These estimates were essentially as follows:

- Measurement of the Company's investments in equity instruments of Group companies, associates and jointly-controlled entities to determine any impairment losses (see Notes 4d and 8.1.1).
- Assumptions used in the actuarial calculation of liabilities to and provisions for employees and the leaving dates and conditions for employees involved in workforce reduction plans and contract suspension agreements (see Notes 4f and 11).
- Useful lives of intangible assets and property, plant and equipment (see Notes 4a and 4b).
- Measurement of financial assets to determine any impairment losses (see Notes 4d and 8).
- Assumptions used to calculate the fair value of financial instruments (see Notes 8, 12 and 14).
- Interpretation of existing or new electricity sector regulations, the final economic effects of which will ultimately depend on rulings by the authorities responsible for settlements. Certain rulings are pending at the date of formulation of these financial statements.
- Certain figures for the electricity system, including those relating to other companies, which can be used to estimate the settlement of the subsidised electricity tariff - the "Social Bonus"- (see Note 11.3).
- The likelihood and amount of undetermined or contingent liabilities (see Notes 4f and 11).

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

## 2.4. Going concern.

At 31 December 2020, the Company has negative working capital of Euros 1,474 million as a result of its financial and cash management policy. In this regard, the Company's estimated statements of liquidity for the coming year, together with the undrawn amount on the Company's non-current credit lines (see Note 13.3), provide assurance that the Company can obtain sufficient financial resources to continue its operations, realise its assets and settle its liabilities for the amounts shown in the accompanying statement of financial position.

In the current context, following the outbreak of COVID-19, the main activities carried on by the companies in which ENDESA, S.A. holds equity stakes have been classified as essential activities and some of them are carried out under regulated frameworks. For this reason the Company has continued to perform its activities, without any events having occurred that might affect the going concern principle. Up until the date of formulation of these Financial Statements, the Company has continued to provide its services and, although it has had to adapt some processes to the circumstances arising from the health crisis, its ability to provide such services has not been compromised in any meaningful way.

In the current context, the electricity supply activities carried on by the companies in which ENDESA, S.A. has interests have been ratified as essential activities and are carried on under specific frameworks. Therefore, the Company has continued to carry on its business activities, including the period during which the State of alarm was in force, without any significant events affecting the going concern principle. Up to the date of preparation of these Financial Statements, the Company has continued to provide its services with no different conditions to those prior to the outbreak of COVID-19 and, although it has had to adapt some processes to the circumstances arising from the health crisis, its capacity to provide services has not been significantly compromised.

The Company's Directors have therefore prepared the accompanying financial statements on a going concern basis.

## 2.5. Functional and presentation currency

The financial statements at 31 December 2020 are presented in millions of euros. The Company's functional and presentation currency is the euro.

## 2.6. Comparative information.

The statement of financial position, income statement, statement of changes in equity, statement of cash flows and the notes thereto for the year ended 31 December 2020 include comparative figures forming part of the financial statements for the year ended 31 December 2019 approved by the General Shareholders' Meeting on 05 May 2020.

## 2.7. Grouping of items

Certain items of the Statement of Financial Position, Income Statement, Statement of Changes in Equity and Statement of Cash Flows are presented in groups to facilitate understanding, although significant items are broken down in the Notes to the Financial Statements.

## 3. Appropriation of profit and loss.

### Proposed appropriation of profit and loss for financial year 2020.

The appropriation of the result for financial year 2020 as proposed by the Company's Board of Directors and submitted for approval by the General Meeting of Shareholders is as follows:

<b>Bases of Distribution for Financial Year 2020</b>		<b>Euros</b>
Profit/(loss): Profit		2,329,719,088.02
<b>Total</b>		<b>2,329,719,088.02</b>
<b>Appropriation</b>		
To Dividends <sup>(1)</sup>		2,131,903,262.79
To retained earnings		197,815,825.23
<b>Total</b>		<b>2,329,719,088.02</b>

(1) Maximum amount to be distributed based on Euros 2.0136 gross per share for all shares (1,058,752,117 shares).

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 10.5). 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
<b>Available at start of period</b>	<b>4,092</b>
Cash in hand and at banks, and cash equivalents	45
Available loans from group companies	4,047
<b>Increases in cash</b>	<b>3,141</b>
From ordinary activities	790
From financial transactions	2,351
<b>Decreases in cash</b>	<b>(3,770)</b>
From ordinary activities	(853)
From financial transactions	(2,917)
<b>Available at end of period</b>	<b>3,463</b>
<b>Proposed interim dividend on 2020 results</b>	<b>741</b>

This amount does not exceed the earnings obtained by the Company in 2020, less prior years' losses and the amount to be allocated to legal reserves and reserves specified by law or by the Company's By-laws plus the estimate of tax to be paid on these earnings.

### Appropriation of profit and loss for financial year 2019.

The appropriation of the result of the 2019 financial year approved by the General Meeting of Shareholders was as follows:

Bases of Distribution for Financial Year 2019		Euros
Profit/(loss): Profit		1,642,109,330.16
<b>Total</b>		<b>1,642,109,330.16</b>
<b>Appropriation</b>		
To Dividends <sup>(1)</sup>		1,561,659,372.58
To retained earnings		80,449,957.58
<b>Total</b>		<b>1,642,109,330.16</b>

(1) Maximum amount to be distributed based on Euros 1.475 gross per share for all shares (1,058,752,117 shares).

## 4. Recognition and valuation standards.

The main recognition and valuation standards used in the preparation of these Annual Accounts, in accordance with the provisions of the General Accounting Plan, were as follows:

### a) Intangible assets.

Intangible assets are initially recognised at their acquisition or production cost following the same principles as those established for determining the cost of production of inventories.

After initial recognition, intangible assets are valued at cost less accumulated amortisation and the accumulated amount of any recognised value corrections for impairment.

Intangible assets are amortised over their useful lives, which in most cases is estimated at five years.

The Company reviews the residual value, the useful life and the amortisation method of intangible assets at the end of each year. Any changes to the criteria initially established are recognised as a change of estimate.

### b) Property, plant & equipment.

Property, plant and equipment is initially recognised at acquisition or production cost following the same general criteria as those established for determining the cost of production of inventories. After initial recognition, items of property, plant and equipment are valued at cost less accumulated depreciation and the accumulated amount of any value corrections for impairment recognised.

Items of property, plant and equipment, less their residual value where applicable, are depreciated on a straight-line basis over their estimated useful lives, i.e. the number of years for which the Company expects to use them.

Useful lives, residual values and the depreciation method are reviewed at least at the closing date of each financial year and if necessary they are adjusted prospectively.

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

Property, plant and equipment	Years of estimated useful life	
	2020	2019
Furniture	10	10
Other property, plant and equipment	5-14	5-14



The costs of extension and improvement of property, plant and equipment that represent an increase in the productive capacity or a lengthening of the useful life of the assets are added to the value of the assets.

Renewals of fixed assets are capitalised providing the conditions for their recognition as assets are met, that is, that they result from past events and that the Company expects to obtain future economic benefits from them.

Regular maintenance, upkeep and repair expenses are expensed as incurred.

### **c) Leases.**

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

Finance leases in which the Company is the lessee are recognised at the commencement of the lease term, an asset being recognised according to its nature and a liability for the same amount and equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. 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 asset is depreciated in the same way as other similar depreciable assets if there is reasonable certainty that the lessee will acquire ownership of 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 expenses or income deriving from operating lease agreements are charged or credited to profit and loss in the year in which they accrue.

Any amounts received or paid upon entering into an operating lease are treated as advance payments and charged or credited to profit and loss over the period of the lease as the benefits of the leased asset are transferred or received.

### **d) Financial instruments.**

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

Financial instruments are classified at the time of their initial recognition as financial assets, financial liabilities or equity instruments, depending on the economic substance of the contractual agreements from which they derive and in accordance with the definitions of financial asset, financial liability and equity instrument.

Financial assets and liabilities are offset only when the Company has a legally enforceable right to offset the recognised amounts and intends simultaneously to settle the net amount or realise the asset and cancel the liability.

#### **d.1. Financial assets other than derivatives and equity investments in Group Companies, Joint Ventures and Associates**

##### *1. Classification of financial assets*

For valuation purposes the Company classifies its financial assets, whether current or non-current, into the following categories based on their characteristics and on the Company's intentions at the time of initial recognition:

- Loans and receivables: financial assets deriving from the provision of services as part of the company's normal commercial operations, or which, while not having a commercial origin, are not equity instruments or derivatives, are payable in fixed or determinable amounts and are not traded on an active market.

These financial assets are initially recognised at the fair value of the consideration delivered plus any directly attributable transaction costs. Subsequently they are measured at amortised cost, which is the initial value less principal repayments made plus accrued interest not received calculated using the effective interest rate method.

Accrued interest is recognised in profit and loss, applying the effective interest rate method. The effective interest rate is the discount rate that exactly matches the present value of the estimated future cash flows to be received or paid over the expected life of the financial instrument (or a shorter period where appropriate) with the carrying amount of the asset or liability.

When there is objective evidence that the asset may have suffered impairment, the corresponding analysis is carried out, and an impairment loss recognised if the carrying amount of the asset is greater than the present value of the estimated future cash flows discounted at the effective interest rate calculated at the time of initial recognition, the impairment loss being recognised for the difference between the two. For financial assets at variable interest rates, the effective interest rate corresponding to the closing date of the annual accounts is used in accordance with the contractual conditions.

However, trade receivables which have no contractual interest rate and are due in no more than one year, loans and advances to personnel, dividends receivable and capital called up on equity instruments and expected to be received in the short term, are measured both initially and subsequently at their nominal amount when the effect of not discounting future cash flows is not significant.

Value corrections for impairment and reversals thereof are recognised as expense or income respectively in profit and loss. Reversals of impairment are limited to the carrying amount of the receivable that would be recognised at the reversal date if no impairment had been recognised.

- Held-to-maturity investments: this category comprises debt securities with a fixed maturity date and of a fixed or determinable amount traded on an active market and which the Company has expressed its intention and ability to keep in its possession until their maturity.

The valuation criteria applying to this type of assets are the same as those explained for "Loans and Receivables".

The Company had no investments of this nature at 31 December 2020 or 2019.

- Financial assets at fair value with changes through profit and loss
  - Financial assets held for trading: financial assets acquired for the purpose of selling them in the short term or which form part of a portfolio for which there is evidence of recent transactions with this purpose, including derivative financial instruments that have not been designated as hedging instruments. They are initially valued at the fair value of the consideration delivered. Transaction costs directly attributable to the purchase are recognised as expense in profit and loss. They are subsequently recognised at fair value, changes in this fair value being recognised directly in profit and loss.
  - Other financial assets at fair value with changes through profit or loss: these comprise financial assets that have been designated as such on initial recognition and which are managed and evaluated on a fair value basis. They are recognised both initially and subsequently at fair value, changes in this fair value being recognised directly in profit and loss.

- Available-for-sale financial assets: this category comprises financial assets specifically designated as available for sale or that do not fit into the foregoing categories.

They correspond almost entirely to financial investments in the equity of companies that are not Group companies, Joint Ventures or Associates.

They are valued initially at the fair value of the consideration delivered plus any directly attributable transaction costs. Subsequently they are valued at their fair value when this can be reliably determined. In the case of investments in equity instruments the fair value of which cannot be reliably determined, they are valued at cost, less the accumulated amount of any value corrections for impairment when there is evidence of such impairment.

Changes in fair value, net of the tax effect, are debited or credited as the case may be to “Equity - Adjustments for Changes in Value”, until such time as the investments are disposed of or they suffer impairment (of a stable or permanent nature), when these accumulated results previously recognised directly in equity are transferred to profit and loss. In this regard, stable or permanent impairment is considered to exist if there has been a fall of more than 40% in the value of the asset during a period of one year and a half, without the value having been recovered.

If the fair value increases in subsequent years, the value correction recognised in previous years in profit and loss is reversed.

The criteria for recognising impairment losses on equity instruments valued at cost because their fair value cannot be reliably determined are similar to those indicated in Section d.3 of this Note.

## *2. Interest and dividends received on financial assets.*

Interest and dividends on financial assets accruing after their acquisition are recognised as income in profit and loss.

For these purposes, in the initial valuation of the financial assets, the amount of the explicit interest accrued and not due at that time and the amount of the dividends approved by the competent body up to the time of their acquisition are recognised independently in accordance with their maturities. Explicit interest is understood as that obtained by applying the contractual interest rate of the financial instrument.

Likewise, when the dividends distributed derive unequivocally from profits generated prior to the acquisition date, in that amounts greater than the profits generated by the investee since the acquisition have been distributed, they are not recognised as income but applied in reduction of the carrying amount of the investment.

Interest is recognised using the effective interest rate method and dividends are recognised when the right to receive them is declared.

## *3. Derecognition of financial assets*

The Company derecognises financial assets when they expire or when the contractual rights to the cash flows from the financial asset have been transferred and the risks and rewards of ownership have been substantially transferred. However, for transfers of financial assets in which the risks and rewards of ownership are substantially retained, the Company does not derecognise the financial assets but instead recognises a financial liability for the same amount as the consideration received.

If the Company has neither substantially transferred nor retained the risks and rewards of the financial asset, the asset is derecognised when control is not retained. If the Company retains control of the asset, it continues recognising it for the amount to which it is exposed through changes in the value of the asset transferred, i.e. for its continuing involvement, recognising the associated liability.

Derecognition of a financial asset in its entirety involves recognising in profit and loss the difference between the carrying amount and the sum of the consideration received, net of transaction costs, including any assets obtained or liabilities assumed and any deferred gain or loss in income and expense recognised directly in equity.

## **d.2. Financial liabilities other than derivatives**

### *1. Classification of financial liabilities*

The Company classifies its financial liabilities, whether short or long term, into the following categories depending on their characteristics and on the Company's intentions at the time of their initial recognition:

- Trade and other payables: these are payables arising from the purchase of goods and services in the course of the Company's business, or those which, while not of a commercial origin, are not considered as derivative financial instruments.

Financial liabilities for trade and other payables are recognised at fair value, reflecting the value actually received, net of transaction costs. In subsequent periods, these liabilities are measured at amortised cost using the effective interest rate method.

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

However, trade payables which have no contractual interest rate and mature at no more than one year and capital called up by third parties and expected to be settled in the short term, are measured at their nominal amount when the effect of not discounting the cash flows to their present value is not significant.

- Financial liabilities at fair value with changes through profit or loss:
  - Financial liabilities held for trading: those financial liabilities held for the purpose of repurchase in the short term or which form part of a portfolio of liabilities for which there is evidence of recent repurchase activity, including derivative financial instruments that have not been designated as hedging instruments.

These liabilities are initially measured at the fair value of the consideration received less any directly attributable transaction costs. They are subsequently recognised at fair value, changes in this fair value being recognised directly in profit and loss.

- Other financial liabilities at fair value through profit or loss: include those financial liabilities which have been designated as such on initial recognition and which are managed and evaluated on a fair value basis.

These liabilities are initially measured at the fair value of the consideration received less any directly attributable transaction costs. They are subsequently recognised at fair value, changes in this fair value being recognised directly in profit and loss.

### *2. Derecognition of financial liabilities*

The Company derecognises financial liabilities when the obligations that generated them have been extinguished.

## **d.3. Equity investments in Group Companies, Joint Ventures and Associates**

Group companies are companies over which the Company exercises direct or indirect control. Associates are companies over which the Company has significant influence (significant influence being presumed to exist when the Company holds at least 20% of the voting rights in another company). Joint ventures are companies over which by virtue of an agreement joint control is exercised together with one or more partners.

Investments in Group companies, Joint Ventures and Associates are initially measured at cost, which is equal to the fair value of the consideration delivered plus any directly attributable transaction costs.

Subsequently these investments are measured at cost, less any accumulated value corrections for impairment. These corrections are calculated as the difference between the carrying amount and the recoverable amount, the latter being understood as the higher of fair value less selling costs and the present value of the future cash flows from the investment. Where future cash flows are not available, the equity of the investee is taken into account, adjusted for any unrealised capital gains existing at the measurement date (including goodwill if any).

Impairment losses and, where applicable, their reversal, are recognised as expense or income, respectively, in profit and loss, subject to the limit of the carrying amount of the investment that would apply at reversal date if no impairment had been recognised.

For the impairment test on its investees, ENDESA S.A. uses pre-tax cash flow projections for ENDESA S.A. and its subsidiaries based on the latest budgets available. These budgets include ENDESA S.A.'s management's best estimates of its income and expenses using industry projections, past experience and future expectations.

These projections cover a 3-year period and future cash flows, applying reasonable growth rates based on assumptions regarding average long-term growth rates and forecast inflation rates for the sector and geographical region concerned.

The pre-tax discount and growth rates applied in 2020 and 2019 were as follows:

%	2020	2019
Discount rate	2.9 – 5.6	3.6 - 6.3
Growth rate	1.8	1.5

The approach used for allocating values to the key assumptions considered was the following:

- Trend 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 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 could be amended, either by the introduction of new laws or by amendments to existing laws, so the forecasts contemplate the proper application of current laws and regulations and of any others now in process and expected to be in force during the projected period.
- Average rainfall: forecasts are drawn up for an average rainfall year based on historical rainfall series. However, particularly for the first year of the forecast, the actual rainfall of the preceding year is used, adjusting the average year accordingly.
- Installed Capacity: The investment plan is updated continuously on the basis of the trajectory of the business and changes to the development strategy undertaken by Management. 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.

- Assumptions for energy sale and purchase prices and output of generation facilities are made based on complex specifically-developed internal forecast models that consider factors such as prices and availability of commodities (e.g. Brent crude, gas, coal, etc.), forecast demand, planned construction or the 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, start-up of operation of new plants. They provide signals on prices in the system and estimates 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 are always used to compare macroeconomic assumptions, such as price trends, growth in Gross Domestic Product (GDP), demand and inflation, among others.

Based on these assumptions, the equity interests of ENDESA, S.A. have been subjected to impairment tests, as a result of which a valuation correction for impairment of its holding in ENDESA Generación II, S.A.U. in an amount of Euros 1 million was recognised in 2020 (see Note 8.1.1), no needs to recognise any valuation correction for impairment having been detected in 2019.

#### **d.4. Derivatives and hedging transactions**

The derivatives held by the Company relate mainly to transactions arranged to hedge interest and exchange rate risks, the purpose of which is to eliminate or significantly reduce these risks in the underlying hedged transactions.

Derivatives are recognised at their fair value in the statement of financial position at the end of the reporting period. Derivatives are recognised as current or non-current financial investments where the value is positive and as current or non-current liabilities where the value is negative. Derivatives arranged with Group companies are recognised as current or non-current investments in Group companies and Associates where the value is positive and as current or non-current debts to Group companies and Associates where the value is negative.

Changes in fair value are recognised in profit and loss as financial income or expense, except where the derivative has been designated as a hedging instrument and the requirements for hedge accounting are met, among them that the hedge be effective or expected to be highly effective, in which case it is registered as follows depending on the type of hedge:

- Fair value hedges: the portion of the underlying item on which the risk is being hedged and the hedging instrument are both measured at fair value with changes through profit or loss as financial income or expense.
- Cash flow hedges: changes in the fair value of derivatives are recognised, for the effective portion of the hedge and net of the tax effect, under Valuation adjustments to hedging transactions in Equity. The cumulative gain or loss under this heading is transferred to profit and loss to the extent that the underlying hedged item affects profit or loss. Gains or losses corresponding to the ineffective portion of hedges are recognised directly in profit and loss as financial income or expense.

- Hedging of net investment in foreign operations: hedges of net investment in foreign operations when they concern Group Companies, Joint Ventures and Associates, are recognised as fair value hedges for the exchange rate component. Hedging instruments that are not, or that cease to be, effective hedges are measured and recognised according to their nature.

Accounting hedges are designated and documented as such when they are first expected to prove highly effective.

A hedge is considered to be effective when the changes in fair value or in the cash flows of the underlying directly attributable to the hedged risk are offset by the changes in the fair value or cash flows of the hedging instrument with an effectiveness in the range of 80% to 125%.

Derivatives embedded in other financial instruments are recognised separately when their characteristics and risks are not closely related to those of the host instrument, provided that the overall contract is not recognised at fair value with changes through profit or loss.

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

- For derivatives listed on an organised market, their quoted value at year end.
- The Company measures derivatives not traded on organised markets by discounting the expected cash flows and using generally accepted option valuation models based on spot and futures market conditions at the end of each year.

Hedge accounting is discontinued when the hedging instrument matures or is sold, terminated or exercised, or the hedge no longer qualifies for hedge accounting. Any accumulated gains or losses relating to the hedging instrument that have been recognised in equity continue to be recorded under equity until the foreseen transaction is completed. When the hedged transaction is not expected to be carried out, the net gains or losses accumulated in equity are transferred to profit and loss for the period.

The Company has entered into commodities forward sale and purchase contracts, basically for liquefied natural gas. As a general rule, these contracts are valued in the statement of financial position at their fair value on the closing date, changes in value being recognised in profit and loss except for supply contracts that are fully transferred in their terms, rights and obligations to other Group companies, where the Company has acted as a contracting party exclusively for organisational reasons or with the purpose of achieving greater efficiency in the process of concluding or managing said contracts.

#### **d.5. Treasury stock**

Treasury shares acquired by the Company during the year are recorded, at the value of the consideration given in exchange, directly as a deduction from Equity under the heading “Treasury Stock”.

Results deriving from the purchase and sale of own equity instruments are recognised directly in equity, and in no case is any result recognised in profit and loss.

#### **d.6. Financial guarantee contracts**

Financial guarantee contracts, meaning deposits in guarantee and guarantees granted by the Company in favour of third parties, are valued initially at their 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 set forth in Note 4f.
- The amount of the asset initially recognised, less the portion taken to profit and loss on an accrual basis, if any.

#### **e) Cash and cash equivalents.**

Cash and cash equivalents include cash in hand and demand deposits with financial institutions. They also include other short-term, highly liquid investments providing they are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment qualifies as a cash equivalent when it has a maturity of less than three months from the date of acquisition.

#### **f) Provisions and contingencies.**

Obligations existing at the date of the statement of financial position arising as a result of past events and which may have a negative impact on the Company's assets, which are likely to materialise but the amount and settlement date of which are uncertain, are recognised as provisions in the statement of financial position at the present value of the most probable amount that it is estimated that the Company will have to disburse to settle the obligation.

Provisions are quantified based on the best information available at the reporting date on the consequences of the event for which the provision is required and are re-estimated at the end of each reporting period.

Contingent liabilities are not recognised in the Financial Statements but disclosed in the corresponding Notes when they are not considered to be remote.

The financial effect of provisions is recognised as a financial expense in profit and loss. Provisions maturing at one year or less and the financial effect of which is not significant are not discounted to present value.

If it is no longer probable that an outflow of resources will be required to settle an obligation, the provision is reversed.

#### **f.1. Provisions for pensions and other similar provisions.**

For defined benefit plans, the Company recognises the expenditure relating to these provisions 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. Past service costs relating to changes in benefits are recognised immediately as expense in profit and loss to the extent that the rights are irrevocable.

Provisions for defined benefit plans represent the present value of the accrued benefits after deducting the fair value of the qualifying plan assets and any unrecognised past service costs. The actuarial losses and gains arising on the measurement of plan liabilities and assets are recognised directly in equity, in 'Other Reserves': Other property, plant and equipment (see Note 10.3.5).



For each of the plans, any positive difference between the actuarial liability for past services and the plan assets is recognised under non-current provisions on the liability side of the statement of financial position. Any negative difference is recognised under non-current financial investments - loans to third parties on the asset side of the statement of financial position, provided that this negative difference is recoverable by the Company, usually through a reduction in future contributions.

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

Defined benefit plan assets and liabilities are recognised as current or non-current depending on when the associated benefits are realised or fall due.

Post-employment plans that have been fully insured and for which the Company has therefore transferred all the risk are considered to be defined contribution plans and as such no assets or liabilities are recognised in the Statement of Financial Position.

### **f.2. Provisions for workforce restructuring plans.**

The Company recognises benefits for termination or suspension of employment when there is an individual or group agreement with the employees allowing them individually or collectively, unilaterally or by mutual agreement with the company, to cease working for ENDESA, S.A. or temporarily suspend the employment contract, in exchange for compensation or consideration. If mutual agreement is required, the provision is recognised only in situations in which ENDESA S.A. 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 the employees that these early retirements will take place and there is an official notification by the Company to the employee or to the employees' representatives.

The Company has in place workforce reduction plans, which are covered by the corresponding workforce reduction plans approved by the government, or in agreements signed with the 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 arises, meaning when the Company cannot avoid the disbursement, depending on the commitments given to the employee or the employees' representatives. These amounts are determined, where applicable, from actuarial studies to calculate the obligation at year-end. The actuarial gains and losses arising each year are recognised in profit and loss for that year.

### **f.3. Short- and long-term employee benefits.**

The Company recognises the expected cost of profit-sharing and bonus plans when it has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

### **g) Transactions in foreign currency.**

Transactions in currencies other than the euro, the Company's functional currency, are translated into euros at the exchange rates prevailing at the transaction date. During the year, differences arising between amounts 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 expense in profit and loss (see Note 9).

Balances receivable or payable at 31 December each year denominated in currencies other than the euro are translated using the year-end exchange rate. Any resulting translation differences are recognised as financial income or expense in profit and loss.

## **h) Classification of assets and liabilities as current and non-current.**

In the accompanying Statement of Financial Position, assets and liabilities maturing in 12 months or less are classified as current and those maturing at more than 12 months are classified as non-current.

## **i) Income tax**

The income tax expense or income for the year is calculated as the sum of the current tax of the Company resulting from applying the tax rate to the tax base for the year, after taking into account any available tax deductions, plus the change in deferred tax assets and liabilities and tax credits and any unused tax 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 or to have been approved pending publication at the closing date of the year in which the assets are realised and liabilities settled.

Deferred tax assets are recognized for all deductible temporary differences, except those arising from the initial recognition of assets and liabilities in a transaction that is not a business combination and, in addition, at the date of the transaction affects neither the taxable profit nor the accounting profit.

In accordance with the principle of prudence, deferred tax assets are recognised only to the extent that it is probable that the company will have future taxable profits available against which these assets can be applied. In any case, this condition will be considered to exist when the tax legislation provides for the possibility of future conversion of deferred tax assets into an enforceable claim against the tax authorities with respect to such assets as are eligible for conversion.

Unless proved otherwise, it is not considered likely that the company will have future taxable profits in the following cases:

- When it is expected that their future recovery will occur in a period in excess of 10 years from the closing date of the financial year, no matter what the nature of the deferred tax asset.
- In the case of claims arising from tax deductions and other tax benefits which have not been used due to the amount of tax payable being insufficient, when the activity or benefit giving rise to the right to the deduction or credit has been performed or obtained but there is reasonable doubt as to compliance with the requirements to make them effective.

Also, it is likely that the Company will have sufficient future taxable profits to be able to recover the deferred tax assets providing there are sufficient taxable temporary differences relating to the same tax authority and the same taxable entity, the reversal of which is expected:

- In the same tax year in which it is intended to reverse the deductible temporary differences; or
- In those years in which a tax loss, arising from a deductible temporary difference, can be carried back or forward.

Deferred tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting result nor taxable income.

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.

The deferred tax assets and liabilities recognised are reviewed at the end of each reporting period in order to check that they are still valid and any appropriate adjustments are made.

The Company also evaluates any deferred tax assets that were not previously recognised. Based on this evaluation, the Company recognises deferred tax assets not previously recognised provided it is probable that the Company will have taxable profits in the future enabling these assets to be realised.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets or liabilities in the statement of financial position, regardless of the estimated realisation or settlement date.

The Company forms part of the tax consolidation group headed by ENEL S.p.A. (the ENEL Group's Italian parent company), represented in Spain by ENEL Iberia, S.L.U.

The accrued income tax expense for the companies forming the tax consolidation group is determined taking into account, in addition to the parameters considered in the case of individual taxation as set out previously, the following:

- Temporary and permanent differences arising from the elimination of gains and losses on transactions between companies in the tax group, deriving from the process of determining consolidated taxable income.
- Tax deductions and abatements that correspond to each company forming the consolidated tax group; for these purposes, tax deductions and rebates are allocated to the company that carried out the activity or obtained the benefit necessary to obtain the right to the tax deduction or abatement.

A reciprocal receivable and payable arises between companies that contribute tax losses to the tax consolidation group and the rest of the companies that offset those losses. Where a tax loss cannot be offset by the other companies in the tax group, these tax loss carryforwards are recognised as deferred tax assets in accordance with the criteria established for their recognition, considering the tax group as the taxable entity.

Income tax deductions and abatements affect the calculation of the tax accruing in each company by the actual amount applicable under the tax consolidation regime.

The amount of the payable to (receivable from) the entity representing the tax group in Spain, ENEL Iberia, S.L.U., is recognised with a credit to current debts to (or a debit to current investments in) Group Companies and Associates in the accompanying statement of financial position.

## **j) Income and expense.**

Income and expense are recognised on an accrual basis.

Income from continuing operations is recognised when there is a gross inflow of economic benefits generated in the ordinary course of the Company's business during the year, provided that this inflow of economic benefits results in an increase in equity that is not related to contributions from equity holders and these benefits can be measured reliably. Income is measured at the fair value of the consideration received or receivable.

Income from services rendered is recognised only if the amount of income, degree of completion, costs incurred and costs pending can be reliably estimated by reference to the degree of completion of the provision of the service at the reporting date.

Interest income and expense are recognised on the basis of the effective interest rate applicable to the outstanding principal over the corresponding accrual period.

Dividend income from investments in equity instruments is recognised when the Company's right to receive it comes into existence. In accordance with the resolution of the Institute of Accountants and Auditors ("ICAC") published in issue 79/2009, consultation 2 of the "BOICAC" (official gazette of the "ICAC") on the classification in the individual financial statements of the income and expense of a holding company, the main activity of which is to hold equity investments, dividend income is recognised under revenues in profit and loss, while an item has been included under the operating margin for impairment losses on the equity instruments associated with its activity.

The Company excludes from the revenue figure gross receipts of benefits when it acts as an agent or commission agent on behalf of third parties, recognising only those corresponding to its own activity as income.

### **k) Environmental assets**

Environmental expenses are those incurred by the Company on activities aimed at managing the environmental effects of its operations.

The environmental expenses of these activities and any incurred as a result of events outside the Company's normal business that are not expected to arise frequently (including fines, sanctions and compensation payable to third parties for environmental damage), are classified as operating expenses under other operating expenses - external services in the period in which they are incurred.

Assets acquired by the Company with a view to their long-term use in its activity to minimise the environmental impact of its activity and protect the environment are recognised, depending on their nature, as property, plant and equipment or intangible assets, at their acquisition or production cost, and are depreciated or amortised on a straight-line basis over their useful lives.

### **l) Related party transactions.**

All the Company's transactions with related parties are at market prices. Additionally, transfer prices are adequately supported, and consequently the Company's Directors consider that no significant risks exist in this respect from which significant liabilities could arise in the future.

### **m) Share-based remuneration schemes**

ENDESA, S.A. has granted some of its own employees and those of its business group who occupy positions of great responsibility, remuneration plans based on equity instruments, whereby in exchange for the services they provide, the Company settles them with its own equity instruments (shares of ENDESA, SA). These plans are also combined with cash settlements whose amount is based on the value of own equity instruments (see Note 18.3.5).

The Company recognises the services received from its own employees as "Personnel Expenses" in the Profit and Loss Account, at the time of obtaining them and, on the other hand, the corresponding increase in Equity under the heading "Other Equity Instruments" if the transaction is settled with equity instruments, or the corresponding liability under the heading "Long-Term Provisions" if the transaction is settled in cash with an amount that is based on the value of equity instruments.

In the case of payments to employees of its business group, which are settled with the parent's own equity instruments, ENDESA, S.A. recognises the cost of the Plan as an addition to the value of its investment in the subsidiary or associate.

In transactions in which it is necessary to complete a certain period of service, recognition takes place as such services are provided throughout 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 transferred, referred to the date of the grant agreement.

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, referred to the date on which the requirements for their recognition are met. Subsequently, and until its liquidation, the corresponding liability will be valued at its fair value on the closing date of each financial year, with any change in valuation occurring during the financial year being recognised in profit and loss.

## n) Statement of cash flows.

The statement of cash flows reflects the changes in cash occurring during the year, calculated using the indirect method. The following terms are used in the statements of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, understood as being investments with a term of less than three months that are highly liquid and subject to an insignificant risk of changes in value.
- Operating activities: the activities forming the Company's main source of ordinary income, as well as other activities that are not investing or financing activities.
- Investing activities: the acquisition, disposal or disposition by other means of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of equity and financial liabilities.

## 5. Intangible assets.

At 31 December 2020 and 2019, the composition and movements of this item of the accompanying statement of financial position were as follows:

Millions of euros				
	Balance at 31 December 2019	Investment and additions	Derecognitions and Transfers	Balance at 31 December 2020
<b>Cost:</b>				
Patents, licences, trademarks and similar	10	6	(7)	9
Software applications	354	21	-	375
<b>Total</b>	<b>364</b>	<b>27</b>	<b>(7)</b>	<b>384</b>
<b>Accumulated depreciation:</b>				
Patents, licences, trademarks and similar	(5)	(7)	7	(5)
Software applications	(241)	(25)	-	(266)
<b>Total</b>	<b>(246)</b>	<b>(32)</b>	<b>7</b>	<b>(271)</b>
<b>NET TOTAL</b>	<b>118</b>	<b>(5)</b>	<b>-</b>	<b>113</b>

Millions of euros

	Balance at 31 December 2018	Investment and additions	Derecognitions and transfers	Balance at 31 December 2019
<b>Cost:</b>				
Patents, licences, trademarks and similar	44	8	(42)	10
Software applications	330	24	-	354
<b>Total</b>	<b>374</b>	<b>32</b>	<b>(42)</b>	<b>364</b>
<b>Accumulated depreciation:</b>				
Patents, licences, trademarks and similar	(41)	(6)	42	(5)
Software applications	(216)	(25)	-	(241)
<b>Total</b>	<b>(257)</b>	<b>(31)</b>	<b>42</b>	<b>(246)</b>
<b>NET TOTAL</b>	<b>117</b>	<b>1</b>	<b>-</b>	<b>118</b>

The investments in computer applications made during the year 2020 correspond mainly to acquisitions from ENDESA Medios y Sistemas, S.L.U. for Euros 19 million (Euros 22 million in 2019) (see Note 18.1).

Investments during 2020 also include the capitalisation of personnel expenses amounting to Euros 2 million (same amount in 2019).

There were no fully amortised intangible assets still in use at 31 December 2020 or 2019.

At 31 December 2020 there were no commitments to acquire intangible assets (Euros 6 million at 31 December 2019).

## 6. Property, plant and equipment.

At 31 December 2020 and 2019, the composition and movements of this item of the accompanying statement of financial position were as follows:

Millions of euros

	Balance at 31 December 2019	Investment and additions	Derecognitions and transfers	Balance at 31 December 2020
<b>Cost:</b>				
Technical Installations and other Property, Plant and Equipment	8	-	-	8
<b>Total</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>8</b>
<b>Accumulated depreciation:</b>				
Technical Installations and other Property, Plant and Equipment	(6)	-	-	(6)
<b>Total</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>(6)</b>
<b>NET TOTAL</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>2</b>

Millions of euros

	Balance at 31 December 2018	Investment and additions	Derecognitions and transfers	Balance at 31 December 2019
<b>Cost:</b>				
Technical Installations and other Property, Plant and Equipment	7	1	-	8
<b>Total</b>	<b>7</b>	<b>1</b>	<b>-</b>	<b>8</b>
<b>Accumulated depreciation:</b>				
Technical Installations and other Property, Plant and Equipment	(5)	(1)	-	(6)
<b>Total</b>	<b>(5)</b>	<b>(1)</b>	<b>-</b>	<b>(6)</b>
<b>NET TOTAL</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>2</b>

There was no fully depreciated property, plant and equipment still in use at the Company at 31 December 2020 and 2019.

At 31 December 2020 and 2019, the Company had no commitments to purchase property, plant and equipment.

The Company has taken out corporate insurance policies that cover the risk of damage to its property, plant and equipment with limits and coverage appropriate to the type of risk. Possible claims against the Company due to the nature of its activity are also covered.

## 7. Leases and other similar agreements

### 7.1. Operating leases

ENDESA, S.A. leases the building where its headquarters are located from Group company ENDESA Medios y Sistemas, S.L.U. The contract expires in 2030. On 29 May 2020, a rider to the contract for this property was signed, extending the lease term by 10 years from 1 July 2020. Lease payments made in this regard in 2020, amounted to Euros 8 million, (Euros 7 million in 2019). (see Note 16.3).

In addition, ENDESA, S.A. is the lessee of several buildings with leases that expire between 2021 and 2028. Lease payments made in this regard in both 2020 and 2019 amounted to Euros 1 million and Euros 2 million, respectively (see Note 16.3). At 31 December 2020 and 2019, the breakdown by term of the minimum future lease payments payable by the Company under operating leases was as follows:

Millions of euros

	Nominal Value	
	31 December 2020	31 December 2019
Within one year	8	8
Between one year and five years	32	20
More than five years	36	2
<b>Total</b>	<b>76</b>	<b>30</b>

## 8. Long-term and short-term financial assets.

At 31 December 2020 and 2019, the composition and movements of current and non-current financial investments in Group Companies and Associates in the accompanying statement of financial positions were as follows:

Millions of euros

	Note	Balance at 31 December 2019	Additions	Derecognitions	Transfers and other	Balance at 31 December 2020
<b>Long-Term Investments in Group Companies and Associates</b>	18.2	<b>18,893</b>	<b>3</b>	<b>(18)</b>	-	<b>18,878</b>
Equity instruments	8.1.1	18,893	3	(18)	-	18,878
Equity interests in Group Companies and Associates		18,893	4	(18)	-	18,879
Impairment losses		-	(1)	-	-	(1)
Loans to companies	8.1.2	-	-	-	-	-
Loans to companies		54	-	-	-	54
Impairment losses	8.1.3	(54)	-	-	-	(54)
<b>Long-Term Financial Investments</b>		<b>30</b>	<b>8</b>	<b>(6)</b>	<b>(1)</b>	<b>31</b>
Equity instruments	8.2.1	4	-	-	-	4
Long-Term Financial Investments		5	-	-	-	5
Impairment losses		(1)	-	-	-	(1)
Loans to third parties	8.2.2	4	1	(1)	-	4
Loans to third parties		4	1	-	-	5
Impairment losses		-	-	(1)	-	(1)
Derivatives	14	1	7	-	(1)	7
Other financial assets	8.2.3	21	-	(5)	-	16
<b>TOTAL LONG-TERM FINANCIAL ASSETS</b>		<b>18,923</b>	<b>11</b>	<b>(24)</b>	<b>(1)</b>	<b>18,909</b>

Millions of euros

	Note	Balance at 31 December 2018	Additions	Derecognitions	Transfers and other	Balance at 31 December 2019
<b>Long-Term Investments in Group Companies and Associates</b>	18.2	<b>18,894</b>	-	-	(1)	<b>18,893</b>
Equity instruments	8.1.1	18,893	-	-	-	18,893
Equity interests in Group Companies and Associates		18,893	-	-	-	18,893
Impairment losses		-	-	-	-	-
Loans to companies	8.1.2	-	-	-	-	-
Loans to companies		54	-	-	-	54
Impairment losses	8.1.3	(54)	-	-	-	(54)
Derivatives	14	1	-	-	(1)	-
<b>Long-Term Financial Investments</b>		<b>45</b>	<b>3</b>	<b>(8)</b>	<b>(10)</b>	<b>30</b>
Equity instruments	8.2.1	5	(1)	-	-	4
Long-Term Financial Investments		5	-	-	-	5
Impairment losses		-	(1)	-	-	(1)
Loans to third parties	8.2.2	5	1	(2)	-	4
Loans to third parties		7	1	(4)	-	4
Impairment losses		(2)	-	2	-	-
Derivatives	14	10	1	-	(10)	1
Other financial assets	8.2.3	25	2	(6)	-	21
<b>TOTAL LONG-TERM FINANCIAL ASSETS</b>		<b>18,939</b>	<b>3</b>	<b>(8)</b>	<b>(11)</b>	<b>18,923</b>

At 31 December 2020 and 2019, the breakdown of current investments in Group Companies and Associates and current financial investments in the accompanying statement of financial positions was as follows:

Millions of euros

	Note	31 December 2020	31 December 2019
<b>Short-Term Investments in Group Companies and Associates</b>	18.2	<b>419</b>	<b>915</b>
Loans to companies	8.1.2	88	111
Loans to Group Companies and Associates		88	111
Derivatives	14	-	2
Other financial assets	8.1.4	331	802
<b>Short-Term Financial Investments</b>		<b>10</b>	<b>35</b>
Loans to third parties		10	10
Loans to third parties		10	10
Derivatives	14	-	25
<b>TOTAL SHORT-TERM FINANCIAL ASSETS</b>		<b>429</b>	<b>950</b>

## 8.1. Long-Term and Short-Term Investments in Group Companies and Associates.

### 8.1.1. Equity instruments.

Details of the Company's investments in equity instruments of Group companies and associates at 31 December 2020 and 2019, as well as the most significant information regarding each investment at those dates, are as follows:



Group Companies and Associates: 2020														Millions of euros			
Company <sup>(1)</sup>																	
Registered office	Activity	% Direct Ownership	Share capital	Reserves	Interim dividend	Profit/(loss) for the year			Grants, donations and bequests received	Value adjustments	Total Equity	Carrying amount			Dividends Received (Notes 16.1 and 18.1)		
						EBIT	Net profit/(loss)	Total equity				Cost	Impairment in the period	Accumulated impairment			
<b>Group companies:</b>																	
ENDESA Energía, S.A.U. – Madrid <sup>(2)</sup>	Supply of Energy Products	100%	14	1,183	(810)	1,205	905	1,292	-	(10)	1,282	1,102	-	-	933		
ENDESA Generación, S.A.U. – Seville <sup>(2)</sup>	Electricity Generation and Supply	100%	1,940	2,704	-	(440)	(326)	4,318	43	(350)	4,011	5,891	-	-	-		
ENDESA Red, S.A.U. – Madrid <sup>(2)</sup>	Distribution activities	100%	720	2,231	(1,045)	1,337	990	2,896	4,650	(224)	7,322	2,440	-	-	1,510		
ENDESA Medios y Sistemas, S.L.U. – Madrid	Provision of services	100%	90	67	-	(22)	(15)	142	-	(1)	141	167	-	-	-		
ENDESA Financiación Filiales, S.A.U. – Madrid	Financing of ENDESA, S.A.'s subsidiaries	100%	4,621	4,621	(129)	171	129	9,242	-	-	9,242	9,242	-	-	139		
ENDESA X Servicios, S.L.U. - Madrid	Supply of Energy Products	100%	-	40	-	(19)	(14)	26	-	-	26	35	-	-	-		
Rest of the Group											-	2	(1)	(1)	3		
<b>TOTAL</b>											<b>18,879</b>	<b>(1)</b>	<b>(1)</b>	<b>2,585</b>			

(1) Unaudited data.

(2) Figures corresponding to information of the consolidated subgroup.

Group Companies and Associates 2019														Millions of euros			
Company																	
Registered office	Activity	% Direct Ownership	Share capital	Reserves	Interim dividend	Profit/(loss) for the year			Grants, donations and bequests received	Value adjustments	Total Equity	Carrying amount			Dividends Received (Notes 16.1 and 18.1)		
						EBIT	Net profit/(loss)	Total equity				Cost	Impairment in the period	Accumulated impairment			
<b>Group companies:</b>																	
ENDESA Energía, S.A.U. – Madrid <sup>(2)</sup>	Supply of Energy Products	100%	15	888	(347)	886	637	1,193	-	93	1,286	1,134	-	-	347		
ENDESA Generación, S.A.U. – Seville <sup>(2)</sup>	Electricity Generation and Supply	100%	1,940	4,406	-	(1,875)	(1,461)	4,885	42	(440)	4,487	5,891	-	-	-		
ENDESA Red, S.A.U. – Madrid <sup>(2)</sup>	Distribution activities	100%	720	3,021	(1,342)	1,473	1,077	3,476	4,692	(375)	7,793	2,440	-	-	1,383		
International ENDESA, B.V. - Netherlands <sup>(1)</sup>	International Financial Operations	100%	15	7	-	-	-	22	-	-	22	18	-	-	-		
ENDESA Medios y Sistemas, S.L.U. – Madrid <sup>(1)</sup>	Provision of services	100%	90	67	-	1	2	159	-	-	159	167	-	-	7		
ENDESA Financiación Filiales, S.A.U. – Madrid <sup>(1)</sup>	Financing of ENDESA, S.A.'s subsidiaries	100%	4,621	4,621	(116)	171	127	9,253	-	-	9,253	9,242	-	-	118		
Rest of the Group											-	1	-	-	-		
<b>TOTAL</b>											<b>18,893</b>	<b>-</b>	<b>-</b>	<b>1,855</b>			

(1) Audited data.

(2) Figures corresponding to information of the consolidated subgroup.

These companies do not have publicly listed share prices.

At 31 December 2020 and 2019, ENDESA also held 100% of ENDESA Capital, S.A.U. and ENDESA Generación II, S.A.U.

## Most significant changes in 2020 and 2019

### 2020

On 24 July 2020, ENDESA, S.A., as Sole Director of ENDESA Energía, S.A.U. approved the partial division of the equity of this company, and together with ENDESA Red, S.A.U., as Sole Shareholder of the partially spun off company ENDESA Ingeniería, S.L.U., incorporated ENDESA X Servicios, S.L., a newly created company, which has received the spun-off assets from ENDESA Energía, S.A.U. and ENDESA Ingeniería, S.L.U., respectively. As a result, ENDESA, SA has assumed a 99.52% financial stake in ENDESA X Servicios, S.L. This transaction has led to a reduction in the shareholding in ENDESA Energía, S.A.U. of Euros 33 million as a consequence of the capital reduction deriving from the partial spin-off, and an increase of the same amount in the shareholding in ENDESA X Servicios, S.L.

Additionally, in 2020 the Company acquired 0.48% of the financial interest in ENDESA X Servicios, S.L. That had been acquired by ENDESA Red, S.A.U. as a result of the spin-off of ENDESA Ingeniería, S.L.U., for an amount of Euros 2 million, the Company becoming the Sole Shareholder of ENDESA X Servicios, S.L.U.

During the 2020 financial year, the investee company International ENDESA, B.V. was liquidated and derecognised in the amount of Euros 18 million, generating a result in the Profit and Loss Account due to the derecognition of equity instruments in Group and Associated Companies for an amount of Euros 3 million as a result of said liquidation.

Also, in 2020 a monetary contribution was made to its investee company ENDESA Generación II, S.A.U. in order to strengthen its financial situation. This contribution, which was made without any consideration or obligation to be reimbursed, was recognised as an addition to the value of the holding, amounting to Euros 2 million.

### 2019

During financial year 2019 there was no movement under the heading “Long-Term Investments in Group Companies and Associates - Equity Instruments”.

#### 8.1.2. Current and non-current loans and advances to Group Companies and Associates

At 31 December 2020 and 2019, the company had a loan granted to Elcogas, S.A. (in liquidation) recognised under Non-current loans and advances to Group Companies and Associates and subject to a 100% impairment adjustment. Its maturity date is subject to Elcogas, S.A. (in liquidation) having met all its liabilities, which given the current plant closing schedule is estimated to occur in a period that may be longer than 12 months.

In addition, at 31 December 2020, current loans and advances to Group Companies and Associates consisted mainly of amounts receivable from ENEL Iberia, S.L.U. corresponding to income tax expense in an amount of Euros 76 million (Euros 111 million at 31 December 2019). The receivable for income tax in 2020 of Euros 76 million (Euros 69 million at 31 December 2019) is an estimate and therefore interest-free, as it will be settled in 2021 when the income tax return is filed (see Notes 15.9 and 18.2).

### 8.1.3. Impairment

During 2020 and 2019, impairment losses on current loans and advances to Group Companies and Associates and reversals thereof were as follows:

Millions of euros		
	2020	2019
<b>Balance at 1 January</b>	<b>54</b>	<b>54</b>
Transfers from Current	-	-
Transfers to Current	-	-
<b>Balance at 31 December</b>	<b>54</b>	<b>54</b>

### 8.1.4. Other financial assets

Other financial assets under Current investments in Group Companies and Associates at 31 December 2019 included dividends receivable amounting to Euros 331 million (Euros 802 million at 31 December 2019), broken down as follows:

Millions of euros		
	31 December 2020	31 December 2019
ENDESA Red, S.A.U.	151	632
ENDESA Energía, S.A.U.	143	149
ENDESA Financiación Filiales, S.A.U.	34	21
ENDESA Capital, S.A.U.	3	-
<b>TOTAL</b>	<b>331</b>	<b>802</b>

## 8.2. Long-term and short-term financial investments.

### 8.2.1. Equity instruments.

Investments in equity instruments held at 31 December 2020 and 2019, totalled Euros 4 million, respectively.

### 8.2.2. Non-current loans to third parties.

At 31 December 2020 and 2019 this heading includes the balance corresponding to long-term loans to personnel for an amount of Euros 5 million and Euros 4 million respectively.

At 31 December 2020 value corrections on non-current loans to third parties amounted to Euros 1 million (less than Euros 1 million at 31 December 2019).

### 8.2.3. Other non-current financial assets.

At 31 December 2020 and 2019, included under this heading were Euros 16 million and Euros 21 million respectively corresponding to the deposit established to guarantee payment for future services of the employees who are members of ENDESA, S.A.'s defined benefit pension scheme (see Note 11.1).

## 8.3. Classification of non-current and current financial assets by class and category

Non-current and current financial assets other than equity instruments in Group Companies and Associates, by class and category at 31 December 2020 and 2019, were as follows:

Millions of euros

31 December 2020					
Note	Financial Assets Held for Trading	Available-for-sale Financial Assets	Loans and receivables	Hedging derivatives	Total
<b>Long-Term Financial Investments</b>	-	4	20	7	31
Equity instruments	-	4	-	-	4
Loans to third parties	-	-	4	-	4
Derivatives	14	-	-	7	7
Other financial assets	-	-	16	-	16
<b>Total Non-Current Financial Assets</b>	-	4	20	7	31
<b>Short-Term Investments in Group Companies and Associates</b>	-	-	419	-	419
Loans to companies	-	-	88	-	88
Other financial assets	-	-	331	-	331
<b>Short-Term Financial Investments</b>	-	-	10	-	10
Loans to third parties	-	-	10	-	10
<b>Trade and other receivables</b>	-	-	235	-	235
<b>Cash and cash equivalents</b>	-	-	130	-	130
<b>Total Current Financial Assets</b>	-	-	794	-	794
<b>TOTAL</b>	-	4	814	7	825

Millions of euros

31 December 2019					
Note	Financial Assets Held for Trading	Available-for-sale Financial Assets	Loans and receivables	Hedging derivatives	Total
<b>Long-Term Financial Investments</b>	1	4	25	-	30
Equity instruments	-	4	-	-	4
Loans to third parties	-	-	4	-	4
Derivatives	14	1	-	-	1
Other financial assets	-	-	21	-	21
<b>Total Non-Current Financial Assets</b>	1	4	25	-	30
<b>Short-Term Investments in Group Companies and Associates</b>	2	-	913	-	915
Loans to companies	-	-	111	-	111
Derivatives	14	2	-	-	2
Other financial assets	-	-	802	-	802
<b>Short-Term Financial Investments</b>	25	-	10	-	35
Loans to third parties	-	-	10	-	10
Derivatives	14	25	-	-	25
<b>Trade and other receivables</b>	-	-	162	-	162
<b>Cash and cash equivalents</b>	-	-	31	-	31
<b>Total Current Financial Assets</b>	27	-	1,116	-	1,143
<b>TOTAL</b>	28	4	1,141	-	1,173

Financial assets held for trading and available-for-sale financial assets are measured at fair value, except investments in equity instruments whose fair value cannot be reliably determined. These investments are measured at cost less any accumulated impairment losses (see Note 4d). The fair value of the rest of the financial assets does not differ substantially from their carrying amount.

Financial assets held for trading are financial derivatives not designated for accounting purposes as hedging instruments.

The fair value of financial assets is measured taking into account observable market variables, specifically by estimating discounted future cash flows using zero-coupon yield curves for each currency on the last working day of each closure, translated into euros at the exchange rate prevailing on the last working day of each closure. All these measurements are made using internal tools.

At 31 December 2020 and 2019, the fair value of the Company's non-current financial assets under "Loans and Receivables" did not differ from their carrying amount.

## 8.4. Classification by maturity

At 31 December 2020 and 2019 the breakdown by maturity of non-current financial assets, excluding equity instruments, was as follows:

Millions of euros

31 December 2020	2022	2023	2024	2025	Subsequent years	Total
<b>Long-Term Financial Investments</b>	7	6	7	-	7	27
Loans to third parties	2	1	1	-	-	4
Derivatives	-	-	-	-	7	7
Other financial assets	5	5	6	-	-	16
<b>TOTAL LONG-TERM FINANCIAL ASSETS</b>	7	6	7	-	7	27

Millions of euros

31 December 2019	2021	2022	2023	2024	Subsequent years	Total
<b>Long-Term Financial Investments</b>	8	7	7	3	1	26
Loans to third parties	1	1	1	-	1	4
Derivatives	1	-	-	-	-	1
Other financial assets	6	6	6	3	-	21
<b>TOTAL LONG-TERM FINANCIAL ASSETS</b>	8	7	7	3	1	26

## 8.5. Items recognised in profit and loss and in equity.

In 2020 and 2019, the allocations to profit and loss and equity linked to non-current and current financial assets grouped by the various categories were as follows:

Millions of euros

	2020		2019	
	(Loss)/Profit	Equity	(Loss)/Profit	Equity
Loans and receivables	1	-	4	-
Assets at Fair Value Through Profit and Loss	(28)	-	(41)	-
Held for trading	(28)	-	(41)	-
<b>TOTAL</b>	(27)	-	(37)	-

## 8.6. Financial assets at fair value with changes through profit or loss.

In 2020 and 2019, changes in the fair value of non-current and current financial assets at fair value with changes through profit or loss were as follows:

Millions of euros

	Fair Value at 31 December 2019	Change in fair value of derivatives	Settlements of Derivatives	Other movements	Fair Value at 31 December 2020
<b>Financial Assets at Fair Value Through Profit and Loss</b>	28	9	(37)	-	-
Long Term	1	-	-	(1)	-
Short Term	27	9	(37)	1	-
<b>TOTAL</b>	28	9	(37)	-	-

Millions of euros

	Fair Value at 31 December 2018	Change in fair value of derivatives	Settlements of Derivatives	Other movements	Fair Value at 31 December 2019
<b>Financial Assets at Fair Value Through Profit and Loss</b>	69	56	(97)	-	28
Long Term	11	1	-	(11)	1
Short Term	58	55	(97)	11	27
<b>TOTAL</b>	69	56	(97)	-	28

## 8.7. Financial investment commitments.

At 31 December 2020 and 2019, ENDESA, S.A. had no agreements that included commitments to make financial investments of a significant amount.

## 9. Foreign currency.

Details of the most significant balances at 31 December 2020 and 2019 in foreign currency are as follows:

Millions of euros

	31 December 2020			31 December 2019		
	US dollar (USD)	Pound sterling (GBP)	TOTAL	US dollar (USD)	Pound sterling (GBP)	TOTAL
<b>CURRENT ASSETS</b>	<b>72</b>	<b>1</b>	<b>73</b>	<b>19</b>	<b>2</b>	<b>21</b>
Trade and other receivables	72	1	73	19	1	20
Trade receivables for sales and services	-	1	1	-	1	1
Receivables from Group Companies and Associates	72	-	72	19	-	19
Cash and cash equivalents	-	-	-	-	1	1
<b>TOTAL ASSETS</b>	<b>72</b>	<b>1</b>	<b>73</b>	<b>19</b>	<b>2</b>	<b>21</b>

Millions of euros

	31 December 2020			31 December 2019		
	US dollar (USD)	Pound sterling (GBP)	TOTAL	US dollar (USD)	Pound sterling (GBP)	TOTAL
<b>CURRENT LIABILITIES</b>	<b>(19)</b>	<b>-</b>	<b>(19)</b>	<b>(19)</b>	<b>-</b>	<b>(19)</b>
Trade and other payables	(19)	-	(19)	(19)	-	(19)
Payable to suppliers	(19)	-	(19)	(19)	-	(19)
<b>TOTAL LIABILITIES</b>	<b>(19)</b>	<b>-</b>	<b>(19)</b>	<b>(19)</b>	<b>-</b>	<b>(19)</b>

During the years 2020 and 2019, no significant transactions denominated in foreign currency were carried out.

The Company has signed with ENDESA Energía, S.A.U. and ENEL Global Trading, S.p.A. contracts for the sale of liquefied natural gas (LNG) whereby it transfers, under the same conditions, the purchases that the Company has contracted with Corpus Christi Liquefaction, LLC for the fulfilment of the contracts referred to (see Note 17.2). Transactions in this operation are denominated in US dollars (USD), are considered an intermediation and are presented netted in the accompanying Income Statement under the heading Procurements.

Foreign exchange differences arising on transactions settled in 2020 and 2019 related mainly to valuations of treasury accounts denominated in foreign currency.

## 10. Equity.

At 31 December 2020 and 2019, the composition and movement of equity are shown in the Statement of Changes in Equity which forms part of the Company's Financial Statements.

### 10.1. 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 bearer shares each with a par value of Euros 1.20, fully subscribed and paid up and all admitted to trading on the Spanish Stock Exchanges. This figure was unchanged in 2020 and 2019. All the shares have the same voting and profit-sharing rights.

At 31 December 2020 and 2019, ENEL Group, through ENEL Iberia, S.L.U., held 70.1% of ENDESA, S.A.'s share capital (see Note 1). At these dates, no other shareholder held more than 10% of the share capital of ENDESA, S.A.

## 10.2. 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).

## 10.3. Reserves.

Details of the Company's reserves at 31 December 2020 and 2019 are as follows:

Millions of euros			
	Note	31 December 2020	31 December 2019
Legal reserve	10.3.1	254	254
Revaluation reserve	10.3.2	404	404
Reserve for Amortised Capital	10.3.3	102	102
Reserve for Redenomination of Capital to Euros	10.3.4	2	2
Reserve for actuarial gains and losses and other adjustments	10.3.5	(19)	(24)
Other reserves		693	703
Merger reserve	10.3.6	667	667
Other Unrestricted Reserves	10.3.7	26	36
Voluntary and other reserves		26	36
<b>TOTAL</b>		<b>1,436</b>	<b>1,441</b>

### 10.3.1. Legal reserve.

In accordance with Article 274 of the Consolidated Text of Spain's Corporate Enterprises Act, an amount equal to ten percent of the profit for the period must be transferred to the legal reserve each year until the reserve reaches at least twenty percent of the 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 nominal value of the total share capital after the increase. Except for the aforementioned purpose and until it exceeds 20% of the share capital, the legal reserve may be used only to offset losses, and then only if no other sufficient reserves are available for such purpose.

At 31 December 2020 and 2019, the Company held the minimum amount stipulated in law for this reserve.

### 10.3.2. Revaluation reserve

The revaluation reserve is a result of the revaluation of assets made pursuant to Royal Decree-Law 7/1996 of 7 June. On 1 January 2000, the revalued assets were contributed to the corresponding companies following the corporate restructuring carried out by ENDESA, S.A.

The balance of this reserve may be used, tax-free, to offset accounting losses, for the year or accumulated from prior years or that might arise in the future, and to increase share capital or unrestricted reserves. It may also be transferred to unrestricted reserves providing the 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.

Nonetheless, at 31 December 2020, Euros 261 million of the share premium are restricted to the extent that they are subject to tax assets capitalised in prior years (Euros 269 million at 31 December 2019).

### 10.3.3. Reserve for Amortised Capital

The reserve for amortised capital has been funded in compliance with Article 335 of Spain's Corporate Enterprises Act, which establishes that, when the reduction is charged to profits or unrestricted reserves or by amortising shares acquired by the company free of charge, the amount of the par value of the amortised shares or of the reduction in their par value must be posted to a reserve available only subject to the same requirements as those required for reducing the share capital.

### 10.3.4. Reserve for redenomination of capital in euros

This reserve is unavailable.

### 10.3.5. Reserve for actuarial gains and losses and other adjustments

This reserve derives from actuarial gains and losses recognised in equity (see Note 11.1).

### 10.3.6. Merger reserve.

This reserve stems from corporate restructuring and its balance at 31 December 2020 and 2019 amounted to Euros 667 million, of which Euros 90 million and Euros 93 million respectively were restricted in that they were subject to certain tax benefits.

### 10.3.7. Other unrestricted reserves

Voluntary reserves are freely distributable.

## 10.4 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 long-term variable remuneration plan called "Strategic Incentive Plan 2020-2022", which includes the delivery of shares as part of the payment of the Strategic Incentive (see Note 18.3.5).

The Buy-Back Programme, managed and implemented by Exane, S.A. ("Exane BNP Paribas"), is subject to the provisions of Commission Delegated Regulation (EU) 2016/1052 of 8 March supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April.

After the execution of said Programme, at 31 December 2020 ENDESA, S.A. holds own shares in accordance with the following detail:

	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 amortisations.

## 10.5. 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 payment of Euros 741 million (see Note 3). This interim dividend was deducted from the Company's equity at 31 December 2020:



Millions of euros

	Approval date	Euros per share, gross	Amount	Payment date
Interim dividend	25 November 2020	0.70	741	04 January 2021
<b>Total Dividend paid against 2020 Profit</b>		<b>0.70</b>	<b>741</b>	

## 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

	Approval date	Euros per share, gross	Amount	Payment date
Interim dividend	26 November 2019	0.70	741	02 January 2020
Final dividend	05 May 2020	0.775	821	01 July 2020
<b>Total Dividend paid against 2019 Profit</b>		<b>1.475</b>	<b>1,562</b>	

## 10.6. Value adjustments.

The movement in value adjustments in the accompanying statement of financial position is shown in the Statement of Recognised Income and Expense which forms part of these Financial Statements.

## 11. Provisions and contingencies.

Details of current and non-current provisions in the accompanying Statement of Financial Position at 31 December 2020 and 2019 are as follows:

Millions of euros

	Note	31 December 2020	31 December 2019
<b>Long-Term Provisions</b>			
Long-Term Employee Benefits		57	78
Provisions for Pensions and Similar Provisions <sup>(1)</sup>	11.1	40	56
Other employee benefits		17	22
Provisions for workforce restructuring plans		185	121
Suspension of contracts	11.2.2	185	121
Other provisions	11.3	65	54
<b>TOTAL</b>		<b>307</b>	<b>253</b>
<b>Short-Term Provisions</b>			
Provisions for workforce restructuring plans		40	47
Workforce restructuring plans		-	14
Suspension of contracts		40	33
Other provisions		9	9
<b>TOTAL</b>		<b>49</b>	<b>56</b>

(1) Includes post-employment benefits other than pension plans for Euros 16 million at 31 December 2020 and Euros 38 million at 31 December 2019.

### 11.1. Provisions for Pensions and Similar Provisions

Provisions shown in the accompanying Statement of Financial Position for pensions and similar obligations arise as a result of individual or collective agreements whereby 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.

The amounts recognised in the accompanying statement of financial position at 31 December 2020 for post-employment benefits include Euros 40 million recognised in non-current provisions (Euros 56 million at 31 December 2019).

At 31 December 2020 and 2019 details of the present value of the Company's obligations in respect of post-employment benefits and other non-current benefits and associated plan assets are as follows:

Millions of euros		
	31 December 2020	31 December 2019
<b>Present value of Defined Benefit Provisions</b>	<b>94</b>	<b>112</b>
Active employees	24	30
Former employees	41	35
Employees taking early retirement	29	47
<b>Fair value of defined benefit plan assets</b>	<b>(54)</b>	<b>(56)</b>
<b>NET TOTAL <sup>(1)</sup></b>	<b>40</b>	<b>56</b>

(1) Includes post-employment benefits other than pension plans for Euros 16 million at 31 December 2020 and Euros 38 million at 31 December 2019.

Movement in the actuarial liabilities for the defined benefit provisions in 2020 and 2019 was as follows:

Millions of euros			
	Note	2020	2019
<b>Opening actuarial liability</b>		<b>112</b>	<b>108</b>
<b>Amounts charged to profit and loss for the period</b>		<b>3</b>	<b>3</b>
Personnel Expenses		1	1
Financial expense	16.4	2	2
<b>Actuarial gains and losses</b>		<b>9 <sup>(1)</sup></b>	<b>6</b>
<b>Applications</b>		<b>(30)</b>	<b>(5)</b>
Personnel income		(23)	-
Payments		(7)	(6)
Transfers to Short-Term and Others		-	1
<b>Closing actuarial liability <sup>(2)</sup></b>		<b>94</b>	<b>112</b>

(1) Includes the effect of changes in demographic assumptions in the amount of Euros 4 million.

(2) Includes post-employment benefits other than pension plans for Euros 16 million at 31 December 2020 and Euros 38 million at 31 December 2019.

Changes in the market value of defined benefit plan assets for the years ended 31 December 2020 and 2019 were as follows:

Millions of euros			
	Note	2020	2019
<b>Opening market value</b>		<b>56</b>	<b>59</b>
Estimated benefit	16.4	1	1
Company contribution		1	-
Payments		(6)	(5)
Actuarial gains and losses		2	1
<b>Closing market value <sup>(1)</sup></b>		<b>54</b>	<b>56</b>
<b>Opening liabilities/(assets) balance</b>		<b>56</b>	<b>49</b>
<b>Final liabilities/(assets) balance</b>		<b>40</b>	<b>56</b>

(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 "ENDESA Framework Collective Agreement".

ENDESA and the 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 were incorporated into the "V ENDESA Framework Collective Agreement" which was approved and signed by the Company and the Trade Union Section of the majority union, the General Workers' Union ("UGT"), and came into effect on 23 January 2020. On that same 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 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 net positive impact of Euros 2 million gross on the Statement of Recognised Income and Expenditure 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 23 million in the Income Statement for 2020.

The Company has the above-mentioned provisions covered by the amounts shown in the statements of financial position at 31 December 2020 and 2019.

### Plan assets.

The main characteristics 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
Shares	33	35
Fixed-income assets	49	51
Other (cash)	18	14
<b>TOTAL</b>	<b>100</b>	<b>100</b>

### Actuarial assumptions.

The following were the most significant actuarial assumptions used in the calculations at 31 December 2020 and 2019:

	31 December 2020	31 December 2019
Mortality Tables <sup>(1)</sup>	PERM FCOL2020	PERM / F2000
Technical interest rate	0.56% - 0.61%	1.07% - 1.14%
Expected return on plan assets	0.57%	1.09%
CPI <sup>(2)</sup>	1.00%	2.00%
Increase in healthcare costs	3.20%	3.20%

(1) Modification in accordance with the Resolution of 17 December 2020, of the Directorate General of Insurance and Pension Funds.

(2) Annual rate for review of pensions and salary increases.

The interest rate applied to discount the provisions in Spain is obtained from a curve constructed using the yields on corporate bond issues by companies with an "AA" credit rating and based on the estimated term over which the provisions arising from each commitment will be settled.

The projected unit credit method is used, where each year of service generates a unit of rights to the benefits, with each unit determined separately.

## Other information.

The contributions made by the Company to defined benefit and contribution pension plans amounted to Euros 12 million in 2020 (Euros 8 million in 2019) and are recognised under Personnel Expenses in the Income Statement.

### 11.2. Provisions for workforce restructuring plans.

Provisions for workforce restructuring plans included in the statement of financial position 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.

#### 11.2.1. Workforce reduction plans.

At 31 December 2020 there was one plan in force (Voluntary Departure Plan of 2000) which affected a total of one person, in early retirement (15 people at 31 December 2019).

Movements in this non-current provision at 31 December 2020 and 2019 are as follows:

Millions of euros			
	Note	2020	2019
<b>Opening balance</b>		-	2
<b>Applications</b>		-	(2)
Personnel income	16.2	(13)	(1)
Transfers and other		13	(1)
<b>Closing balance</b>		-	-

#### 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
Technical interest rate	0.00%	0.27%
CPI	1.00%	2.00%
Mortality Tables <sup>(1)</sup>	PERM FCOL2020	PERM / F2000

(1) Modification in accordance with the Resolution of 17 December 2020, of the Directorate General of Insurance and Pension Funds.

#### 11.2.2. 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 Agreement of Guarantees for ENDESA, S.A. and its electricity subsidiaries", ENDESA has recorded a provision amounting to Euros 185 million, which covers the entire cost to be assumed by the Company during the period for which, in accordance with the commitments acquired at that date, the company cannot avoid the employment contract being suspended (Euros 121 million at 31 December 2019). This provision affects a maximum of 485 employees for whom ENDESA has undertaken not to exercise the power to request the return to the company (280 employees at 31 December 2019). Movements in this non-current provision at 31 December 2020 and 2019 are as follows:

Millions of euros

	Note	2020	2019
<b>Opening balance</b>		<b>121</b>	<b>148</b>
<b>Amounts charged to profit and loss for the period</b>		<b>111</b>	<b>4</b>
Personnel Expenses	16.2	109 <sup>(1)</sup>	-
Financial expense	16.4	2	4
<b>Applications</b>		<b>(47)</b>	<b>(31)</b>
Personnel income	16.2	-	(3)
Transfers and other		(47)	(28)
<b>Closing balance</b>		<b>185</b>	<b>121</b>

(1) Includes the effect of changes in demographic assumptions in the amount of Euros 1 million.

### Actuarial assumptions.

The assumptions used in the actuarial calculation of the obligations arising from the contract suspension agreement at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Future increase in guarantee	1.00%	2.00%
Increase in other items	2.00%	2.00%
Discount rate	0.00%	0.27%
Mortality Tables <sup>(1)</sup>	PERM FCOL2020	PERM / F2000

(1) Modification in accordance with the Resolution of 17 December 2020, of the Directorate General of Insurance and Pension Funds.

### 11.3. Other long-term provisions.

The movements and details of other non-current provisions on the liabilities side of the accompanying statement of financial position at 31 December 2020 and 2019 were as follows:

Millions of euros

	2020	2019
<b>Opening balance</b>	<b>54</b>	<b>60</b>
<b>Amounts charged to profit and loss for the period</b>	<b>16</b>	<b>1</b>
<b>Amounts charged to profit and loss for the period</b>	<b>(5)</b>	<b>(7)</b>
<b>Closing balance</b>	<b>65</b>	<b>54</b>

### Litigation and arbitration.

At the date of preparation of these financial statements, the main lawsuits or arbitration proceedings involving the Company are as follows:

- The Supreme Court handed down several judgements 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, 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 Judgements 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 to the Constitutional Court and then to the Supreme Court contending that the Supreme Court's rulings did not violate the Administration's right to effective judicial protection and to due process with guarantees, and that therefore 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 brought by another company in the sector, notified a Resolution with two questions to the Court of Justice of the European Union (CJEU). 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. 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 was not agreed, the Court having instead addressed 3 questions to the parties on the issues that in its opinion require this ruling. The various responses were given in November 2020. On 5 January 2021 the Secretary of the Court transmitted the answers received from the other parties to each party. The CJEU will now decide, and with its decision the Supreme Court will issue new judgements, including that of ENDESA, S.A.

- Following a large number of meetings of the Committee responsible for negotiating ENDESA's "V 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 Financial Statements is pending resolution, which is now expected to occur in the first half of 2021, due to the delays in judicial proceedings caused by the current health crisis.

In addition to the aforementioned Collective Conflict lawsuit, more than a thousand individual claims have been submitted at the time of issue of these 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. To date, 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 Financial Statements, will depend to a large extent on the outcome of the appeal in cassation.

- On 30 December 2020, notice was received from the National Court of the Collective Conflict appeal 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 Framework Collective Agreement of ENDESA". In the appellants' opinion, the Derogatory Provisions giving rise to their appeal 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 by the National Court, pending appeal to the Supreme Court). The date for the Conciliation Act and hearing has been set for 23 June 2021.

- In 2016, the Tax Agency notified ENDESA S.A of the agreement to initiate the proceedings regarding the consolidated tax group to which it belongs with respect to corporate income tax for the years 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 in dispute relate mainly to the difference of opinion on the deductibility of certain financial expenses in the period inspected. There is a guarantee covering the suspension of the debt.

The Company's Directors do not expect that any additional significant liabilities to those already recognised in the accompanying statements of financial position will arise as a result of the above-mentioned disputes and arbitrations.

## 12. Long-term and short-term financial liabilities.

### 12.1. Long-term and short-term financial liabilities.

The composition of non-current liabilities and of non-current liabilities to Group Companies and Associates in the accompanying statement of financial position at 31 December 2020 and 2019 and the movements in the years then ended were as follows:

Millions of euros

	Note	Balance at 31 December 2019	Drawdowns	Amortisations	Transfers to Current	Other	Balance at 31 December 2020
<b>Long-Term Debts</b>		<b>1,856</b>	<b>373</b>	<b>(69)</b>	<b>(80)</b>	<b>1</b>	<b>2,081</b>
Bonds and other negotiable securities		-	20	-	-	-	20
Bank Borrowings		1,835	336	(69)	(79)	-	2,023
Finance lease payables		1	-	-	(1)	1	1
Derivatives	14	17	17	-	-	-	34
Other financial liabilities		3	-	-	-	-	3
<b>Long-Term Debts to Group Companies and Associates</b>	<b>18.2</b>	<b>8,010</b>	<b>-</b>	<b>(1,706)</b>	<b>(1)</b>	<b>-</b>	<b>6,303</b>
Debts to Group Companies and Associates		8,009	-	(1,706)	-	-	6,303
Derivatives	14	1	-	-	(1)	-	-
<b>TOTAL</b>		<b>9,866</b>	<b>373</b>	<b>(1,775)</b>	<b>(81)</b>	<b>1</b>	<b>8,384</b>

Millions of euros

	Note	Balance at 31 December 2018	Drawdowns	Amortisations	Transfers to Current	Other	Balance at 31 December 2019
<b>Long-Term Debts</b>		<b>1,391</b>	<b>686</b>	<b>(179)</b>	<b>(42)</b>	<b>-</b>	<b>1,856</b>
Bank Borrowings		1,387	667	(179)	(40)	-	1,835
Finance lease payables		1	1	-	(1)	-	1
Derivatives	14	1	17	-	(1)	-	17
Other financial liabilities		2	1	-	-	-	3
<b>Long-Term Debts to Group Companies and Associates</b>	<b>18.2</b>	<b>8,982</b>	<b>1</b>	<b>(962)</b>	<b>(11)</b>	<b>-</b>	<b>8,010</b>
Debts to Group Companies and Associates		8,971	-	(962)	-	-	8,009
Derivatives	14	11	1	-	(11)	-	1
<b>TOTAL</b>		<b>10,373</b>	<b>687</b>	<b>(1,141)</b>	<b>(53)</b>	<b>-</b>	<b>9,866</b>

Details of "Current debts" and "Current debts to Group Companies and Associates" in the accompanying statements of financial position at 31 December 2020 and 2019 are as follows:

Millions of euros

	Note	31 December 2020	31 December 2019
<b>Short-Term Debts</b>		<b>1,474</b>	<b>1,076</b>
Bank Borrowings		83	49
Finance lease payables		1	1
Derivatives	14	1	3
Other Financial Liabilities <sup>(1)</sup>		1,389	1,023
<b>Short-Term Debts to Group Companies and Associates</b>	<b>18.2</b>	<b>604</b>	<b>637</b>
Debts to Group Companies and Associates		74	75
Derivatives	14	-	27
Other Financial Liabilities <sup>(2)</sup>		530	535
<b>TOTAL</b>		<b>2,078</b>	<b>1,713</b>

(1) At 31 December 2020 this includes the interim dividend to be paid by ENDESA, S.A. to shareholders that are not part of the ENEL Group in an amount of Euros 221 million (Euros 221 million at 31 December 2019) (see Note 10.5) in addition to the outstanding balance of Euro Commercial Paper (ECP) issues in an amount of Euros 1,162 million (Euros 796 million at 31 December 2019) (see Note 12.2).

(2) At 31 December 2020, this includes the interim dividend payable by ENDESA, S.A. to ENEL Iberia, S.L.U. amounting to Euros 520 million (Euros 520 million at 31 December 2019) (see Note 10.5).

The composition of current and non-current “Bank borrowings” and “Debts to Group Companies and Associates” at 31 December 2020 and 2019, was as follows:

Millions of euros

	Note	31 December 2020		31 December 2019	
		Long-term	Short-term	Long-term	Short-term
<b>Bank Borrowings</b>	<b>12.2</b>	<b>2,023</b>	<b>83</b>	<b>1,835</b>	<b>49</b>
European Investment Bank (EIB) loan		1,423	79	1,467	46
Instituto de Crédito Oficial (“ICO”) loan		300	-	300	-
Syndicated Loan - Club Deal		300	-	-	-
Credit lines		-	4	68	3
<b>Debts to Group Companies and Associates</b>	<b>12.2 and 18.2</b>	<b>6,303</b>	<b>74</b>	<b>8,009</b>	<b>75</b>
ENEL Finance International, N.V.		3,000	15	3,000	16
ENDESA Financiación Filiales, S.A.U.		3,303	30	5,009	37
Other debts		-	29	-	22

## 12.2. Main transactions

In 2020 ENDESA S.A. registered a new Euro Commercial Paper (ECP) SDG7 issue programme for the amount of 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.

To reinforce the liquidity position and ensure the continuity of business activity, the following financial operations were formalised in 2020:

Millions of euros

	Counterparty	Date of Signing	Expiry Date	Amount
Loan <sup>(1) (2)</sup>	Caixabank, S.A., Bankia, S.A. and Kutxabank, S.A.	17 April 2020	19 April 2022	300
Credit Line <sup>(1)</sup>	Caixabank, S.A., Bankia, S.A. and Kutxabank, S.A.	17 April 2020	19 April 2022	250
Intercompany Line of Credit	ENEL Finance International, N.V.	03 June 2020	03 June 2022	700
Loan <sup>(1) (3)</sup>	European Investment Bank (EIB)	30 July 2020	3 September 2035	35
<b>TOTAL</b>				<b>1,285</b>

(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 partially 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.

At 31 December 2020 and 2019, the main long- and short-term financial debts correspond to the following transactions:



Millions of euros

	Limit	31 December 2020		31 December 2019		Conditions	Maturity
		Long-term	Short-term	Long-term	Short-term		
<b>Bank Borrowings</b>	<b>4,497</b>	<b>2,023</b>	<b>83</b>	<b>1,835</b>	<b>49</b>		
Credit lines	2,394	-	4	68	3	Floating interest rate	Until 19 April 2022
European Investment Bank (EIB) <sup>(1)</sup>	1,503	1,423	79	1,467	46	Floating interest rate	Until 9 March 2035
Instituto de Crédito Oficial (ICO) <sup>(2)</sup>	300	300	-	300	-	Floating interest rate	Until 09 May 2031
Club Deal <sup>(3)</sup>	300	300	-	-	-	Floating interest rate	Until 19 April 2022
<b>Debts to Group Companies and Associates</b>		<b>6,303</b>	<b>74</b>	<b>8,009</b>	<b>75</b>		
Credit line with ENEL Finance International, N.V. <sup>(4)</sup>	1,000	-	-	-	-	Margin of 55 bps and Commitment Fee of 18 bps	30 June 2022
Credit line with ENEL Finance International, N.V. <sup>(4)</sup>	700	-	-	-	-	Margin of 80 bps and Commitment Fee of 25 bps	03 June 2022
Inter-company loan from ENEL Finance International, N.V. <sup>(5)</sup>	3,000	3,000	15	3,000	16	Fixed interest rate 3.0%	29 October 2024
Current account with ENDESA Financiación Filiales, S.A.U. <sup>(6)</sup>		3,303	30	5,009	37	Average interest rate of 1.8% (1.9% in 2019)	1 July 2026
Current account with ENDESA Financiación Filiales, S.A.U. <sup>(7)</sup>		-	-	-	-	-	01 October 2023
Other debts		-	29	-	22		
<b>Other financial liabilities</b>		<b>-</b>	<b>1,389</b>	<b>-</b>	<b>1,023</b>		
European Commercial Paper (ECP) <sup>(8)</sup>	4,000	-	1,162	-	796	Floating interest rate	Annual Renovation
Other financial liabilities		-	227	-	227	-	-
<b>TOTAL</b>		<b>8,326</b>	<b>1,546</b>	<b>9,844</b>	<b>1,147</b>		

- (1) On 30 July 2020 and 21 December 2018 ENDESA, S.A. arranged 2 financings with the European Investment Bank (EIB) for an amount of Euros 35 million and Euros 335 million, respectively, which were drawn down on 1 September 2020 and 19 March 2019, respectively.
- (2) On 10 May 2019, ENDESA, S.A. arranged financing with Instituto de Crédito Oficial ("ICO") for the amount of Euros 300 million.
- (3) On 17 April 2020, ENDESA, S.A. signed a syndicated financing linked to sustainability objectives with Caixabank, S.A., Bankia, S.A. and Kutxabank, S.A., for an amount of Euros 300 million.
- (4) Committed and irrevocable credit line (see Note 18.2).
- (5) On 23 October 2014, ENDESA, S.A. signed a long-term inter-company loan with ENEL Finance International, N.V. for an amount of Euros 4,500 million. On 30 June 2015, ENDESA, S.A. made a partial repayment of Euros 1,500 million on this loan. At 31 December 2020, interest accrued and pending payment on this loan amounted to Euros 15 million (Euros 16 million at 31 December 2019) (see Note 18.2).
- (6) The Company has a current account financing contract with ENDESA Financiación Filiales, S.A.U. that is automatically renewable for five-year periods unless either party notifies the other of its intention not to renew it at least 13 months prior to the end of the period. The interest rate applicable to the current account will be determined by ENDESA Financiación Filiales, S.A.U., and will be equal to the average cost of gross debt for the ENDESA Group (or any other that may replace it in the future) published by the Finance Department in the month immediately preceding the interest period in question, and which may be revised, as the case may be, based on said actual rate existing at the end of the interest period. Under this contract the Company can draw down the amounts required to cover its financial needs and invest its surpluses to regulate its cash flows. There is no limit on the cash drawdowns that can be made between the parties. At 31 December 2020, interest accrued and pending payment on this credit line totalled Euros 30 million (Euros 37 million at 31 December 2019) (see Note 18.2).
- (7) The Company also has a current account in foreign currency with ENDESA Financiación Filiales, S.A.U. for a term of five years, currently maturing on 1 October 2023. It is automatically renewable for five-year periods unless either party notifies the other of its decision not to renew the account at least 13 months before the end of the period. The interest rate to be applied will be that resulting from adding a 20% differential to the 6-month LIBOR published on the second business day prior to the beginning of the following semester. At 31 December 2020 and 2019, no amount had been drawn down.
- (8) This corresponds to the outstanding balance of Euro Commercial Paper (ECP) pursuant to the new issuance programme registered by ENDESA, S.A. on 07 May 2020.

## Bonds and other negotiable securities

On 30 September 2020 ENDESA, S.A. formalised the novation of a bond with International ENDESA, B.V. (in liquidation) together with the fair value hedging derivative associated with this debt. This issue has a nominal value of Euros 12 million, maturing in November 2031 and an interest rate of 5.74%. This bond incorporates the changes in value attributable to the hedged risk for an amount of Euros 8 million.

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 8.1.1).

## Other debts

At 31 December 2020, Current debt to Group Companies and Associates included the loan received from Nuclenor, S.A. for Euros 21 million (Euros 15 million at 31 December 2019) (see Note 18.2).

Furthermore, at 31 December 2020, "Current debts to Group companies and associates" also includes the amount to pay to ENEL Iberia, S.L.U. corresponding to Value Added Tax (VAT) for the sum of Euros 8 million (Euros 7 million at 31 December 2019) (See Notes 15.9 and 18.2).

### 12.3. Classification of current and non-current financial liabilities by class and category

The classification of current and non-current financial liabilities items by category and nature, and a comparison of the fair value with the carrying amount at 31 December 2020 and 2019 are as follows:

Millions of euros

	Note	31 December 2020			Total
		Debts and payables	Financial liabilities held for trading	Hedging derivatives	
<b>Long-Term Debts</b>		<b>2,047</b>	<b>-</b>	<b>34</b>	<b>2,081</b>
Bonds and other negotiable securities		20	-	-	20
Bank Borrowings		2,023	-	-	2,023
Finance lease payables		1	-	-	1
Derivatives	14	-	-	34	34
Other financial liabilities		3	-	-	3
<b>Long-Term Debts to Group Companies and Associates</b>	<b>18.2</b>	<b>6,303</b>	<b>-</b>	<b>-</b>	<b>6,303</b>
Debts to Group Companies and Associates		6,303	-	-	6,303
<b>Total non-current</b>		<b>8,350</b>	<b>-</b>	<b>34</b>	<b>8,384</b>
<b>Short-Term Debts</b>		<b>1,473</b>	<b>1</b>	<b>-</b>	<b>1,474</b>
Bank Borrowings		83	-	-	83
Finance lease payables		1	-	-	1
Derivatives	14	-	1	-	1
Other financial liabilities		1,389	-	-	1,389
<b>Short-Term Debts to Group Companies and Associates</b>	<b>18.2</b>	<b>604</b>	<b>-</b>	<b>-</b>	<b>604</b>
Debts to Group Companies and Associates		74	-	-	74
Other financial liabilities		530	-	-	530
<b>Trade and other payables</b>		<b>137</b>	<b>-</b>	<b>-</b>	<b>137</b>
<b>Total current</b>		<b>2,214</b>	<b>1</b>	<b>-</b>	<b>2,215</b>
<b>TOTAL</b>		<b>10,564</b>	<b>1</b>	<b>34</b>	<b>10,599</b>
<b>TOTAL FAIR VALUE</b>		<b>11,025</b>	<b>1</b>	<b>34</b>	<b>11,060</b>

Millions of euros

	Note	31 December 2019			Total
		Debts and payables	Financial liabilities held for trading	Hedging derivatives	
<b>Long-Term Debts</b>		<b>1,839</b>	<b>-</b>	<b>17</b>	<b>1,856</b>
Bank Borrowings		1,835	-	-	1,835
Finance lease payables		1	-	-	1
Derivatives	14	-	-	17	17
Other financial liabilities		3	-	-	3
<b>Long-Term Debts to Group Companies and Associates</b>	<b>18.2</b>	<b>8,009</b>	<b>1</b>	<b>-</b>	<b>8,010</b>
Debts to Group Companies and Associates		8,009	-	-	8,009
Derivatives	14	-	1	-	1
<b>Total non-current</b>		<b>9,848</b>	<b>1</b>	<b>17</b>	<b>9,866</b>
<b>Short-Term Debts</b>		<b>1,073</b>	<b>3</b>	<b>-</b>	<b>1,076</b>
Bank Borrowings		49	-	-	49
Finance lease payables		1	-	-	1
Derivatives	14	-	3	-	3
Other financial liabilities		1,023	-	-	1,023
<b>Short-Term Debts to Group Companies and Associates</b>	<b>18.2</b>	<b>610</b>	<b>27</b>	<b>-</b>	<b>637</b>
Debts to Group Companies and Associates		75	-	-	75
Derivatives	14	-	27	-	27
Other financial liabilities		535	-	-	535
<b>Trade and other payables</b>		<b>171</b>	<b>-</b>	<b>-</b>	<b>171</b>
<b>Total current</b>		<b>1,854</b>	<b>30</b>	<b>-</b>	<b>1,884</b>
<b>TOTAL</b>		<b>11,702</b>	<b>31</b>	<b>17</b>	<b>11,750</b>
<b>TOTAL FAIR VALUE</b>		<b>12,287</b>	<b>31</b>	<b>17</b>	<b>12,335</b>

Financial liabilities held for trading, financial liabilities at fair value with changes through profit or loss and hedging derivatives are measured at fair value. Financial liabilities held for trading are financial derivatives not designated for accounting purposes as hedging instruments.

In accordance with the valuation criteria, items covered by fair-value hedging derivatives are included under other financial liabilities at fair value with changes through profit or loss.

The fair value of financial liabilities is measured taking into account observable market variables, specifically by estimating discounted future cash flows using zero-coupon yield curves for each currency on the last working day of each closure, translated into euros at the exchange rate prevailing on the last working day of each closure. All these measurements are made using internal tools.

At 31 December 2020 and 2019, the fair value of the Company's non-current debts under "Debts and payables" did not differ from their carrying amount.

## 12.4. Classification by maturity

Details of non-current financial liabilities at 31 December 2020 and 2019 by maturity are as follows:

Millions of euros

31 December 2020	Note	2022	2023	2024	2025	Subsequent years	Total
<b>Long-Term Debts</b>		<b>446</b>	<b>179</b>	<b>181</b>	<b>180</b>	<b>1,095</b>	<b>2,081</b>
Bonds and other negotiable securities		-	-	-	-	20	20
Bank Borrowings		445	178	181	180	1,039	2,023
Finance lease payables		1	-	-	-	-	1
Derivatives	14	-	-	-	-	34	34
Other financial liabilities		-	1	-	-	2	3
<b>Long-Term Debts to Group Companies and Associates</b>	<b>18.2</b>	<b>-</b>	<b>-</b>	<b>3,000</b>	<b>-</b>	<b>3,303</b>	<b>6,303</b>
Debts to Group Companies and Associates		-	-	3,000	-	3,303	6,303
<b>TOTAL</b>		<b>446</b>	<b>179</b>	<b>3,181</b>	<b>180</b>	<b>4,398</b>	<b>8,384</b>

Millions of euros

31 December 2019	Note	2021	2022	2023	2024	Subsequent years	Total
<b>Long-Term Debts</b>		<b>80</b>	<b>213</b>	<b>178</b>	<b>178</b>	<b>1,207</b>	<b>1,856</b>
Bank Borrowings		79	213	178	178	1,187	1,835
Finance lease payables		1	-	-	-	-	1
Derivatives	14	-	-	-	-	17	17
Other financial liabilities		-	-	-	-	3	3
<b>Long-Term Debts to Group Companies and Associates</b>	<b>18.2</b>	<b>5,010</b>	<b>-</b>	<b>-</b>	<b>3,000</b>	<b>-</b>	<b>8,010</b>
Debts to Group Companies and Associates		5,009	-	-	3,000	-	8,009
Derivatives	14	1	-	-	-	-	1
<b>TOTAL</b>		<b>5,090</b>	<b>213</b>	<b>178</b>	<b>3,178</b>	<b>1,207</b>	<b>9,866</b>

In 2020, the average rate of interest was 2.0% on bank borrowings (2.1% in 2019) and 1.8% on debt to Group companies (1.6% in 2019).

## 12.5. Items recognised in profit and loss and in equity.

In 2020 and 2019, the allocations to profit and loss and equity linked to non-current and current financial liabilities grouped by the various categories were as follows:

Millions of euros

	2020		2019	
	(Loss)/Profit	Equity	(Loss)/Profit	Equity
Debts and payables	(163)	-	(182)	-
Financial liabilities at fair value with changes through profit or loss	30	-	40	-
Held for trading	30	-	40	-
Hedging derivatives	7	(24)	-	(18)
<b>TOTAL</b>	<b>(126)</b>	<b>(24)</b>	<b>(142)</b>	<b>(18)</b>

## 12.6. Financial liabilities at fair value with changes through profit or loss

The variation in fair value of this type of financial liabilities in 2020 and 2019 was as follows:

Millions of euros

	Fair Value at 31 December 2019	Change in fair value of derivatives	Settlement of derivatives	Other movements	Fair Value at 31 December 2020
<b>Financial liabilities held for trading</b>	<b>31</b>	<b>7</b>	<b>(37)</b>	<b>-</b>	<b>1</b>
Long Term	1	-	-	(1)	-
Short Term	30	7	(37)	1	1
<b>TOTAL</b>	<b>31</b>	<b>7</b>	<b>(37)</b>	<b>-</b>	<b>1</b>

Millions of euros

	Fair Value at 31 December 2018	Change in fair value of derivatives	Settlement of derivatives	Other movements	Fair Value at 31 December 2019
<b>Financial liabilities held for trading</b>	<b>70</b>	<b>57</b>	<b>(97)</b>	<b>1</b>	<b>31</b>
Long Term	12	1	-	(12)	1
Short Term	58	56	(97)	13	30
<b>TOTAL</b>	<b>70</b>	<b>57</b>	<b>(97)</b>	<b>1</b>	<b>31</b>

## 12.7. Financial stipulations.

ENDESA, S.A.'s borrowings are subject to the usual covenants in contracts of this type. In no case do these covenants include the obligation to maintain financial ratios breach of which could lead to early repayment of the debt being called for.

At 31 December 2020 and 2019, ENDESA, S.A. was not in breach of covenants or any other financial obligations that could lead to early repayment of its financial obligations being called for.

The most significant covenants contained in the Company's borrowings are as follows:

Millions of euros

Clauses	Transactions	Covenants	Outstanding debt	
			31 December 2020	31 December 2019
Related to Credit Rating	Financial transactions with the European Investment Bank (EIB) and Instituto de Crédito Oficial ("ICO")	Additional or renegotiated guarantees in the event of credit rating downgrade	1,703	1,702
Relating to change of control.	Loans and other agreements with financial institutions and ENEL Finance International, N.V.	Early repayment may be required in the event of a change of control of ENDESA, S.A.	5,103	4,814 <sup>(1)</sup>
Related to asset transfers	Financial transactions with the European Investment Bank (EIB) and Instituto de Crédito Oficial ("ICO")	Restrictions arise if a percentage of between 7 and 10% of ENDESA's consolidated assets is exceeded <sup>(2)</sup>	1,803	1,814

(1) The amount signed by ENDESA was Euros 7,053 million at 31 December 2020 (Euros 5,814 million at 31 December 2019).

(2) 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 Company's Directors do not consider that these clauses will change the current/non-current classification in the accompanying statement of financial position at 31 December 2020 and 2019.

## 12.8. Other matters.

At 31 December 2020 and 31 December 2019, ENDESA, S.A. had undrawn credit lines totalling Euros 4,090 million and Euros 3,077 million, respectively, of which Euros 1,700 million and Euros 1,000 million, respectively, correspond to a committed and irrevocable credit line signed with ENEL Finance International, N.V. (see Notes 12.2 and 13.3).

### 13. Risk management and control general policy

ENDESA, S.A. is exposed to certain risks which it manages by applying risk identification, measurement, control and supervision systems, all of which are implemented throughout the Group of which it is the parent company.

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 Management and Control 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 Management and Control 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 (“SCIGR” in the Spanish abbreviation) 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 business, ensuring an appropriate balance between the risk assumed and the objectives set by the Board of Directors of ENDESA, S.A.

The Risk Management and Control 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.

### 13.1. 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 the company had contracted interest rate hedges for Euros 847 million (Euros 835 million at 31 December 2019).

The Company has signed two current account financing contracts with ENDESA Financiación Filiales, S.A.U., in euros and US dollars (USD), with interest on both credit and debit balances equal to the average cost of gross debt to ENDESA in Spain (or any other that might replace it in the future) determined in the month immediately prior to the interest period in question, and which may be revised, if applicable, based on the actual rate applying at the end of the interest period .

ENDESA, S.A.'s interest rate risk structure, taking into account the derivatives contracted, at 31 December 2020 and 2019, is as follows:

	Net position	
	31 December 2020	31 December 2019
Fixed interest rate	3,862	3,853
Floating interest rate	5,647	6,840
<b>TOTAL</b>	<b>9,509</b>	<b>10,693</b>

The reference interest rate for the borrowings arranged is basically Euribor.

Details of hedged financial assets and liabilities and the derivative financial instruments used to hedge them are provided in Notes 8, 12 and 14.

### Interest-rate sensitivity analysis

At 31 December 2020 and 2019, the impact of interest rate fluctuations on the Income statement and on the Statement of recognised income and expense, *ceteris paribus*, was as follows:

Millions of euros					
	Basis points change	2020		2019	
		Income statement	Statement of recognised income and expense	Income statement	Statement of recognised income and expense
Finance costs of variable gross borrowings after derivatives					
Increase in interest rate	+25	17	-	18	-
Interest rate reduction	-25	(17)	-	(18)	-
Fair value of derivative hedging instruments					
Of Cash flows					
Increase in interest rate	+25	-	8	-	15
Interest rate reduction	-25	-	(5)	-	(12)

### 13.2. Currency risk.

The currency risks correspond, primarily, to debt contracted in foreign currency and payments to be made and received in international markets for the acquisition or sale of energy stocks or for investments in property, plant and equipment.

ENDESA, S.A. has arranged futures to mitigate its currency risk. The Company also tries to balance cash collections and payments for its assets and liabilities in foreign currency.

At 31 December 2020 and 2019, ENDESA, S.A. did not have a significant portion of debt in foreign currency or that was not hedged by derivatives and forward exchange contracts.

Details of hedged financial assets and liabilities and the derivative financial instruments used to hedge them are provided in Notes 8, 12 and 14.

Assets and liabilities in foreign currency are disclosed in Note 9.

### Exchange-rate sensitivity analysis

At 31 December 2019 and 2019, the impact on the Income statement and Statement of recognised income and expense of a 10% appreciation or depreciation of the euro against all other currencies, *ceteris paribus*, is not considered material.

### 13.3. Liquidity risk.

ENDESA, S.A.'s liquidity policy consists of arranging committed long-term credit lines with both banks and ENEL Group companies and temporary financial investments in an amount sufficient to cover projected needs over a given period based on the situation and expectations of the debt and capital markets.

As of 31 December 2020, ENDESA, S.A.'s liquidity rose to Euros 4,220 million (Euros 3,108 million at 31 December 2019) as detailed below:

Millions of euros

	Liquidity	
	31 December 2020	31 December 2019
Cash and cash equivalents	130	31
Unconditional availability in credit lines <sup>(1)</sup>	4,090	3,077
<b>TOTAL</b>	<b>4,220</b>	<b>3,108</b>

(1) At 31 December 2020 and 31 December 2019, Euros 1,700 million and Euros 1,000 million, respectively, correspond to the committed and irrevocable credit line available with ENEL Finance International N.V. (see Note 12.2).

The amount of these credit lines, together with the current assets, provide sufficient coverage of the Company's short-term payment obligations (see Note 2.4).

The classification of financial liabilities by contractual maturities is shown in Note 12.4.

### 13.4. 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 S.A. is exposed to credit risk from its operational and financial activities, including derivatives, deposits with banks, transactions in foreign currency and other financial instruments.

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).

The Company mainly trades with counterparties in the Group of companies to which it belongs and therefore is exposed to limited credit risk.

Notwithstanding the foregoing, the Company monitors credit risk very closely, and takes measures including the following:

- Risk analysis, assessment and monitoring of counterparty credit quality
- Establishing contractual clauses guarantee requests or contracting insurance where necessary.
- Exhaustive monitoring of trade receivables

As regards credit risk in relation to financial instruments, the risk policies followed by ENDESA, S.A. consist in placing its cash surpluses as set forth in the risk management policy, which requires top-tier counterparties in the markets it operates in.

At 31 December 2020, the greatest exposure to cash positions held with a counterparty was Euros 102 million of a total of Euros 130 million, this counterparty has a rating of A- (Euros 14 million of a total of Euros 31 million at 31 December 2019, this counterparty has a rating of A+).

Details of financial assets exposed to credit risk are provided in Note 8.

## 14. Derivative financial instruments

Applying the risk management policy described above, the Company mainly uses interest and exchange rate hedging derivatives.

The Company classifies its hedges in the categories of cash flow hedges, which are those that hedge the cash flows of the underlying, and fair value hedges, which are those that hedge the exposure to changes in the fair value of recognised assets or liabilities.



Details of the valuation of derivative financial instruments at 31 December 2020 and 2019 are as follows:

Millions of euros

	31 December 2020			
	Assets (Note 8)		Liabilities (Note 12)	
	Current	Non-current	Current	Non-current
<b>Hedging derivatives</b>	-	7	-	34
Interest rate hedges	-	7	-	34
Cash flow hedges	-	-	-	34
Fair value hedges	-	7	-	-
<b>Other derivatives</b>	-	-	1	-
<b>TOTAL</b>	-	7	1	34

Millions of euros

	31 December 2019			
	Assets (Note 8)		Liabilities (Note 12)	
	Current	Non-current	Current	Non-current
<b>Hedging derivatives</b>	-	-	-	17
Interest rate hedges	-	-	-	17
Cash flow hedges	-	-	-	17
<b>Derivatives not designated as hedging instruments</b>	26	1	29	1
Exchange rate	26	1	29	1
<b>Other derivatives</b>	1	-	1	-
<b>TOTAL</b>	27	1	30	18

### Hedging of cash flows and fair value.

Details by maturity of the notional or contractual amounts of derivatives designated as hedging instruments arranged by the Company, and their fair value at 31 December 2020 and 2019, are as follows:

Millions of euros

	Fair value	31 December 2020						
		Notional value						
		2022	2023	2024	2025	2026	Subsequent years	Total
<b>HEDGING OF PHYSICAL TRANSACTIONS</b>								
<b>Cash flow hedges:</b>	(34)	-	-	-	-	-	835	835
Swaps	(34)	-	-	-	-	-	835	835
<b>Fair value hedges</b>	7	-	-	-	-	-	12	12
Swaps	7	-	-	-	-	-	12	12
<b>TOTAL</b>	(27)	-	-	-	-	-	847	847

Millions of euros

	Fair value	31 December 2019						
		Notional value						
		2020	2021	2022	2023	2024	Subsequent years	Total
<b>PHYSICAL HEDGES</b>								
<b>Cash flow hedges:</b>	(17)	-	-	-	-	-	835	835
Interest Rate	(17)	-	-	-	-	-	835	835
Swaps	(17)	-	-	-	-	-	835	835
<b>TOTAL</b>	(17)	-	-	-	-	-	835	835

In 2020, the "Equity" caption of the Statement of Recognized Income and Expenses includes Euros 24 million of lower equity (Euros 17 million of lower equity in 2019) and the "Transfer to Profit and Loss Account" caption of the aforementioned statement includes the amount charged to the Profit and Loss Account, for a higher amount of Euros 7 million in the Financial Expenses caption (no amount in 2019).

### Derivatives not designated as hedging instruments

Breakdown by maturity of the notional or contractual amounts of derivatives not designated in books as hedging instruments contracted by the Company, and their fair value at 31 December 2020 and 2019, are as follows:

Millions of euros

	31 December 2020							
	Fair value	Notional value						
		2021	2022	2023	2024	2025	Subsequent years	Total
Commodity trades:	(1)	26	-	-	-	-	-	26
Foreign currency:	(1)	26	-	-	-	-	-	26
Futures	(1)	26	-	-	-	-	-	26

Millions of euros

	31 December 2019							
	Fair value	Notional value						
		2020	2021	2022	2023	2024	Subsequent years	Total
Commodity trades:	(3)	667	37	-	-	-	-	704
Foreign currency:	(3)	667	37	-	-	-	-	704
Futures	(3)	658	37	-	-	-	-	695
Other	-	9	-	-	-	-	-	9

## Other derivatives

In 2020 and 2019, expense of less than Euros 1 million was recognised in profit and loss for other derivatives.

## 15. Taxation.

In 2020 and 2019, the Company filed consolidated tax returns in accordance with Law 27/2014 of 27 November on corporate income tax. The Company forms part of tax group 572/10, of which ENEL S.p.A. is the parent company and ENEL Iberia, S.L.U. the representative in Spain.

At 31 December 2020 and 2019, the amount due from ENEL Iberia, S.L.U. for income tax expense recognised under "Current investments in Group Companies and Associates" in the accompanying statement of financial position amounted to Euros 76 million and Euros 111 million respectively (see Notes 8.1.2, 15.9 and 18.2).

In 2020, the amount of income tax expense resulted in income of Euros 83 million to profit and loss (Euros 62 million income in 2019) and income of Euros 6 million recognised directly in equity (Euros 6 million in 2019).

The Company forms part of the consolidated Value Added Tax (VAT) group 45/10 headed by ENEL Iberia, S.L.U. as the parent company.

### 15.1. Reconciliation between accounting profit and tax loss

The reconciliation between accounting profit and tax loss in 2020 and 2019 is as follows:

Millions of euros

2020	Income statement			Income and expenses recognised directly in equity			Reserves		
	Increases	Decreases	Total	Increases	Decreases	Total	Increases	Decreases	Total
Accounting profit after income tax			2,330			(18)			-
Income tax for the year			(83)			(6)			-
Accounting profit before tax			2,247			(24)			-
Permanent differences	57	(2,592)	(2,535)	-	-	-	-	-	-
Temporary differences	127	(100)	27	31	(7)	24	-	-	-
Arising in the year	127	-	127	31	-	31	-	-	-
Arising in prior years	-	(100)	(100)	-	(7)	(7)	-	-	-
Tax loss			(261)			-			-

Millions of euros

2019	Income statement			Income and expenses recognised directly in equity			Reserves		
	Increases	Decreases	Total	Increases	Decreases	Total	Increases	Decreases	Total
<b>Accounting profit after income tax</b>			<b>1,642</b>			<b>(18)</b>			-
Income tax for the year			(62)			(6)			-
<b>Accounting profit before tax</b>			<b>1,580</b>			<b>(22)</b>			-
Permanent differences	38	(1,858)	(1,820)	-	-	-	-	-	-
Temporary differences	28	(52)	(24)	23	(1)	22	-	-	-
Arising in the year	28	-	28	23	-	23	-	-	-
Arising in prior years	-	(52)	(52)	-	(1)	(1)	-	-	-
<b>Tax loss</b>			<b>(264)</b>			-			-

## 2020

Increases due to permanent differences in the year 2020 correspond to donations and gratuities in the amount of Euros 28 million, differences in valuation rules for an amount of Euros 15 million, non-deductible provisions for risks and expenses amounting to Euros 12 million, the loss due to the impairment of investee companies amounting to Euros 1 million and other non-deductible expenses in an amount of Euros 1 million. The decreases correspond mainly to the application of the exemption to avoid double taxation on dividends received from Group Companies and Associates for the amount of Euros 2,585 million (see Note 16.1), to the exemption on positive income obtained from the liquidation of companies in which it holds equity stakes for an amount of Euros 4 million, to the reversal of provisions for equity instruments for an amount of Euros 1 million and to other non-computable income for an amount of Euros 2 million.

The increases due to temporary differences concern non-current employee provisions and workforce restructuring plans of Euros 121 million, and other non-tax-deductible provisions for Euros 6 million. The decreases correspond to the application of non-current employee provisions and workforce restructuring plans of Euros 89 million, to the reversal of provisions not deducted in prior periods for Euros 9 million and to differences between accounting and tax depreciation for Euros 2 million.

## 2019

Increases due to permanent differences, in the year 2019 correspond to differences in valuation rules amounting to Euros 15 million, to other non-deductible expenses amounting to Euros 13 million, to donations and gratuities for Euros 9 million and the loss due to impairment of investee companies amounting to Euros 1 million. The decreases correspond mainly to the application of the exemption to avoid double taxation on dividends received from group Companies and Associates for the sum of Euros 1,855 million (see Note 16.1) and to other non-taxable income in an amount of Euros 2 million.

The increases in temporary differences correspond to long-term provisions for personnel and workforce restructuring plans amounting to Euros 16 million, other non-tax-deductible provisions of Euros 7 million, differences between accounting and tax depreciation and amortisation for Euros 3 million and other non-deductible expenses amounting to Euros 2 million. The decreases correspond to the application of non-current employee provisions and workforce restructuring plans of Euros 49 million, and of a provision for liabilities for Euros 3 million.

## 15.2. Reconciliation between tax payable and income tax expense

The reconciliation between tax payable and income tax expense in 2020 and 2019 is as follows:

Millions of euros

	2020	2019
<b>Tax loss</b>	<b>(261)</b>	<b>(264)</b>
Income statement	(261)	(264)
<b>Total taxable income</b>	<b>(261)</b>	<b>(264)</b>
Tax rate	25.0	25.0
<b>Tax payable</b>	<b>(65)</b>	<b>(66)</b>
Application of tax credits and rebates	(11)	(3)
<b>Effective tax</b>	<b>(76)</b>	<b>(69)</b>
Net tax effect, due to temporary differences	(13)	-
Prior years' adjustments and other	-	1
<b>Income tax for the year</b>	<b>(89)</b>	<b>(68)</b>
Income tax in Income Statement	(83)	(62)
Income tax in equity	(6)	(6)

Prior years' adjustments basically concern the adjustment for the effect of the income tax expense settlement of the preceding year and the regularisation of retentions.

### 15.3. Deductions and abatements

In 2020 the Company applied deductions and abatements for a total of Euros 11 million corresponding to deductions for contributions to entities regulated by Law 49/2002 of 23 December 2002 (Euros 3 million in 2019). Of the deductions recognised in 2020, Euros 11 million were applied to contributions to entities regulated by Law 49/2002 of 23 December 2002 (Euros 3 million in 2019).

Likewise, during financial years 2020 and 2019 no deductions from previous years have been applied.

### 15.4. Reconciliation between accounting profit and income tax expense.

In 2020 and 2019, the reconciliation of accounting profit/(loss) to income tax expense is as follows:

Millions of euros

	2020		
	Income statement	Income and expenses directly recognised in equity	Recognised income and expense
<b>Accounting profit before tax</b>	<b>2,247</b>	<b>(24)</b>	<b>2,223</b>
<b>Permanent differences</b>	<b>(2,535)</b>	<b>-</b>	<b>(2,535)</b>
<b>Total adjusted profit/(loss)</b>	<b>(288)</b>	<b>(24)</b>	<b>(312)</b>
<b>Tax payable at 25%</b>	<b>(72)</b>	<b>(6)</b>	<b>(78)</b>
<b>Deductions</b>	<b>(11)</b>	<b>-</b>	<b>(11)</b>
For donations to non-profit entities and patronage	(11)	-	(11)
<b>Prior years' adjustments and other</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total income tax expense</b>	<b>(83)</b>	<b>(6)</b>	<b>(89)</b>

Millions of euros

	2019		
	Income statement	Income and expenses directly recognised in equity	Recognised income and expense
<b>Accounting profit before tax</b>	<b>1,580</b>	<b>(22)</b>	<b>1,558</b>
<b>Permanent differences</b>	<b>(1,820)</b>	<b>-</b>	<b>(1,820)</b>
<b>Total adjusted profit/(loss)</b>	<b>(240)</b>	<b>(22)</b>	<b>(262)</b>
<b>Tax payable at 25%</b>	<b>(60)</b>	<b>(6)</b>	<b>(66)</b>
<b>Deductions</b>	<b>(3)</b>	<b>-</b>	<b>(3)</b>
For donations to non-profit entities and patronage	(3)	-	(3)
<b>Prior years' adjustments and other</b>	<b>1</b>	<b>-</b>	<b>1</b>
<b>Total income tax expense</b>	<b>(62)</b>	<b>(6)</b>	<b>(68)</b>

## 15.5. Details of income tax expense

The breakdown of the income tax expense for 2020 and 2019 is as follows:

Millions of euros

	2020				Total
	Current Tax	Change in deferred tax		Liabilities	
		Assets	Other credits		
		Temporary differences		Temporary differences	
<b>Recognition in profit and loss, of which:</b>	(76)	(7)	-	-	(83)
Continuing operations	(76)	(7)	-	-	(83)
<b>Recognition in equity, of which:</b>	-	(6)	-	-	(6)
From cash flow hedges	-	(4)	-	-	(4)
From Actuarial Gains and Losses and other Adjustments	-	(2)	-	-	(2)
<b>Prior years' adjustments and other</b>	(1)	1	-	-	-
<b>Total</b>	<b>(77)</b>	<b>(12)</b>	<b>-</b>	<b>-</b>	<b>(89)</b>

Millions of euros

	2019				Total
	Current Tax	Change in deferred tax		Liabilities	
		Assets	Other credits		
		Temporary differences		Temporary differences	
<b>Recognition in profit and loss, of which:</b>	(69)	6	-	-	(63)
Continuing operations	(69)	6	-	-	(63)
<b>Recognition in equity, of which:</b>	-	(6)	-	-	(6)
From Actuarial Gains and Losses and other Adjustments	-	(2)	-	-	(2)
<b>Prior years' adjustments and other</b>	2	(1)	-	-	1
<b>Total</b>	<b>(67)</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>(68)</b>

## 15.6. Deferred tax assets.

At 31 December 2020 and 2019, the origin of deferred tax assets recognised in the statement of financial position was as follows:

Millions of euros

Deferred tax assets originating from:	31 December 2020	31 December 2019
Provisions for long-term employee benefits and workforce restructuring plans	99	86
Other provisions	22	28
Hedging derivatives	9	4
<b>Total</b>	<b>130</b>	<b>118</b>

The movements in deferred tax assets in the accompanying Statement of Financial Position in 2020 and 2019 were as follows:

Millions of euros

	2020			2019		
	Temporary differences	Deductions pending	Total	Temporary differences	Deductions pending	Total
<b>Opening balance</b>	<b>118</b>	<b>-</b>	<b>118</b>	<b>117</b>	<b>-</b>	<b>117</b>
Temporary differences originating in the year	31	-	31	7	-	7
Application of temporary differences originating in prior years	(24)	-	(24)	(13)	-	(13)
Changes recognised in equity	6	-	6	6	-	6
Prior years' adjustments and other	(1)	-	(1)	1	-	1
<b>Closing balance</b>	<b>130</b>	<b>-</b>	<b>130</b>	<b>118</b>	<b>-</b>	<b>118</b>

At 31 December 2020, the Company held deferred tax assets in the amount of Euros 130 million (Euros 118 million at 31 December 2019), most of which were expected to be recovered within a 10-year period. For those expected to be recovered over a longer period, the Company's tax group has deferred tax liabilities with the

same tax authority and for a sufficient amount, which are expected to be reversed in the same tax year as the aforementioned deferred tax assets..

The Company has no tax loss carryforwards pending application.

At 31 December 2020 and 2019, the Company had no outstanding credits to apply in future years corresponding to non-applied deductions from previous years.

The information relating to the deductions applied in 2020 and 2019 is included in Note 15.3.

### 15.7. Deferred tax liabilities.

At 31 December 2020 and 2019, the origin of the deferred tax liabilities recognised in the statement of financial position was as follows:

Millions of euros		
Deferred tax liabilities originating from	31 December 2020	31 December 2019
Other	34	34
<b>Total</b>	<b>34</b>	<b>34</b>

During 2020 and 2019, movements of "Deferred tax liabilities" in the accompanying statement of financial position were not significant.

### 15.8. Balances with public administrations.

The balances receivable that the Company has with public administrations at 31 December 2020 for Euros 1 million (Euros 2 million at 31 December 2019) corresponded to Value Added Tax (VAT).

The balances payable that the Company had with public administrations at 31 December 2020 and 2019, were the following:

Millions of euros		
	31 December 2020	31 December 2019
Spanish personal income tax (IRPF) payable	3	4
Social Security contributions payable	3	3
<b>TOTAL LIABILITIES</b>	<b>6</b>	<b>7</b>

### 15.9. Balances with Group companies

At 31 December 2020 and 2019, the Company had recognised an income tax expense credit with ENEL Iberia, S.L.U., for Euros 76 million and Euros 69 million respectively under "Current loans to Group Companies and Associates" in the statement of financial position, as per the following breakdown (see Notes 8.1.2 and 18.2):

Millions of euros		
	31 December 2020	31 December 2019
Tax payable	(65)	(66)
Deductions	(11)	(3)
<b>TOTAL</b>	<b>(76)</b>	<b>(69)</b>

At 31 December 2020 there was no receivable on ENEL Iberia, S.L.U., in respect of the prior year's corporation tax (Euros 42 million at 31 December 2019) (see Notes 8.1.2 and 18.2).

At 31 December 2020, the debt to ENEL Iberia, S.L.U. for Value Added Tax (VAT) recognised under "Current debts to Group Companies and Associates" in the accompanying statement of financial position amounted to Euros 8 million (Euros 7 million at 31 December 2019) (See Notes 12.2 and 18.2).

## 15.10. Years open to tax inspection.

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 year-end 2020, the Company had its books open to inspection for 2006 and 2015 and onwards regarding income tax and for 2015 and onwards in respect of all other applicable taxes.

In 2019 the Tax Administration initiated a verification and investigation procedure of the Corporate Tax Group, the Value Added Tax (VAT) Group and Withholdings, from which contingent liabilities could derive. At 31 December 2020 the actions were in the phase of collecting information and analysis by the Inspection, so it is not possible to estimate the potential economic consequences that could arise from the procedure.

The years and taxes that are being checked are the following:

	Tax years
Corporate Income tax	2015 to 2018
Value Added Tax (VAT)	06/2015 to 12/2018
Withholding / Personal Income Tax (P.A.Y.E.)	2015 to 2018
Withholding / Investment Income	06/2015 to 12/2018
Withholding Tax on Non-Residents	06/2015 to 12/2018

During financial year 2020, the actions of the verification and investigation procedure of the Corporate Tax Group were extended to tax year 2018.

The Company's Directors consider that the aforementioned taxes have been appropriately settled, and consequently, even if discrepancies were to arise in the interpretation of prevailing standards with respect to the tax treatment of these operations, the accompanying financial statements would not be significantly affected by any resulting liabilities.

The Company's Directors do not expect that the liabilities that could arise in this regard would significantly affect its future profits.

## 15.11. Corporate restructuring undertaken under the special regime in Title VII, Chapter VII of Law 27/2014 of 27 November 2014 on corporate income tax

The Notes to the Company's financial statements for 1999 to 2019 include the information required under article 86 of Law 27/2014 of 27 November 2014 regarding the corporate restructuring operations carried out in prior years.

## 16. Profit/(loss)

The Company's main income and expense items for 2020 and 2019 are detailed below:

### 16.1. Revenue

Details of Revenue in the accompanying income statements for 2020 and 2019 by category of activity and geographical markets are as follows:

Millions of euros					
2020	Note	Spain	Other EU	Other	Total
Provision of services	18.1	277	3	1	281
Dividend income from Group Companies and Associates	8.1.1 and 18.1	2,585	-	-	2,585
<b>TOTAL</b>		<b>2,862</b>	<b>3</b>	<b>1</b>	<b>2,866</b>

Millions of euros

2019	Note	Spain	Other EU	Other	Total
Provision of services	18.1	277	4	1	282
Dividend income from Group Companies and Associates	8.1.1 and 18.1	1,855	-	-	1,855
<b>TOTAL</b>		<b>2,132</b>	<b>4</b>	<b>1</b>	<b>2,137</b>

The item "Dividend income from Group Companies and Associates" contains dividends distributed by Group companies (see Note 8.1.1) detailed below:

Millions of euros

Company	2020	2019
ENDESA Red, S.A.U.	1,510	1,383
ENDESA Energía, S.A.U.	933	347
ENDESA Financiación Filiales, S.A.U.	139	118
ENDESA Capital, S.A.U.	3	-
ENDESA Medios y Sistemas, S.L.U.	-	7
<b>TOTAL</b>	<b>2,585</b>	<b>1,855</b>

## 16.2. Personnel expenses.

In 2020 and 2019, details of "Personnel expenses" in the accompanying Income Statement are as follows:

Millions of euros

	Note	2020	2019
<b>Wages and salaries</b>		<b>111</b>	<b>111</b>
<b>Termination benefits</b>		<b>8</b>	<b>31</b>
<b>Social Charges</b>		<b>38</b>	<b>34</b>
Social security		20	20
Other		18	14
<b>Provisions</b>		<b>82</b>	<b>4</b>
Long-Term Employee Benefits		(14)	8
Provisions for workforce reduction plans	11.2.1	(13)	(1)
Provisions for suspension of contracts	11.2.2	109	(3)
<b>TOTAL</b>		<b>239</b>	<b>180</b>

## 16.3. Other operating expenses

Details of other operating expenses in the accompanying income statement for 2020 and 2019 are as follows:

Millions of euros

	Note	2020	2019
<b>External services</b>		<b>105</b>	<b>120</b>
Leases and royalties	7.1	9	9
Other repairs and upkeep costs		1	1
Independent professional services		21	18
Banking and similar services		1	1
Advertising and public relations		14	29
Other external services		59	62
<b>Taxes other than income tax</b>		<b>6</b>	<b>3</b>
<b>Other administrative expenses</b>		<b>78</b>	<b>50</b>
<b>TOTAL</b>		<b>189</b>	<b>173</b>

In 2020, "Leases and royalties" includes expenses relating to contracts of this type arranged with Group Companies and Associates for the amount of Euros 8 million (Euros 8 million in 2019) (see Notes 7.1 and 18.1).

In 2020, "Other external services" includes other services received from Group companies and associates for the amount of Euros 42 million (Euros 46 million in 2019) (see Note 18.1) by way of structure, auxiliary services and other general services expenses passed on.



In the current context of the COVID-19 health crisis and as part of ENDESA, S.A.'s commitment to society, the company has designed a Public Responsibility Plan for direct aid for the purchase of material, special supply conditions and donations to mitigate the main health and social needs caused by this health crisis, as well as programmes to support the relaunch of the economy in the worst affected sectors. At 31 December 2020 the amount accrued under this head stood at Euros 24 million.

#### 16.4. Financial income and expense.

In 2020 and 2019, details of financial income and expense in the accompanying income statements are as follows:

Millions of euros			
	Note	2020	2019
<b>Financial income</b>		<b>5</b>	<b>7</b>
From marketable securities and other non-current loans		5	7
Interest on loans to Group Companies and Associates	18.1	-	1
Interest on loans to third parties		5	6
Loans and credits		4	5
Expected return on defined benefit plan assets	11.1	1	1
<b>Financial expense</b>		<b>(178)</b>	<b>(193)</b>
Interest on borrowings from Group Companies and Associates	18.1	(159)	(172)
Interest on debts to third parties		(15)	(14)
Provision adjustments		(4)	(7)
For Long-Term Employee Benefits		(2)	(3)
Provisions for pensions and other similar provisions	11.1	(2)	(2)
Other employee benefits		-	(1)
Suspension of contract	11.2.2	(2)	(4)

#### 17. Guarantees to third parties, commitments and other contingent liabilities

##### 17.1. Guarantees to third parties and other contingent liabilities

At 31 December 2020 and 2019, ENDESA, S.A. provided the following guarantees and collateral (see Note 18.2):

Millions of euros			
Company	Purpose of guarantee	31 December 2020	31 December 2019
ENDESA Generación, S.A.U.	Long-Term Gas Contracts	49	54
ENDESA Energía, S.A.U.	Gas contracts	66	114
ENDESA Generación, S.A.U.	Elecgas, S.A. electricity production (tolling)	372	391
ENDESA Generación, S.A.U.	Energy Contracts	33	-
Tauste Energía Distribuida, S.L.	Financing	18	-
Explotaciones Eólicas Santo Domingo de Luna, S.A.	Financing	21	-
Nuclenor, S.A.	Insurance	7	-
International ENDESA, B.V.	Financing obtained and financial derivatives	-	12
Group Companies	Workforce Restructuring Plans	20	30
Other Group Companies	Other commitments	2,763	2,712
ENEL Green Power España, S.L.U. (EGPE)		1,239	1,270
ENDESA Energía, S.A.U.		873	810
ENDESA Generación, S.A.U.		119	192
Energía XXI Comercializadora de Referencia, S.L.U.		121	117
Edistribución Redes Digitales, S.L.U.		90	105
Gas y Electricidad Generación, S.A.U.		32	33
Empresa Carbonífera del Sur, S.A.U.		16	16
ENDESA Ingeniería, S.L.U.		14	16
Unión Eléctrica de Canarias Generación, S.A.U.		13	13
Others		246	140
<b>TOTAL</b>		<b>3,349</b>	<b>3,313</b>

ENDESA, S.A.'s management does not expect the guarantees issued to result in significant liabilities for the Company.

## 17.2. Other commitments

ENDESA, S.A. has the commitment to provide ENDESA Financiación Filiales, S.A.U. with the financing required to enable this company to honour its commitments to finance Spanish ENDESA Group companies and their subsidiaries.

In 2014, ENDESA entered into two agreements with Corpus Christi Liquefaction, LLC to acquire liquefied natural gas (LNG) from 2019 for a total of 3 bcm/year. ENDESA, S.A. has signed agreements with ENEL Global Trading, S.p.A. and ENDESA Energía, S.A.U. under which it will transfer to them 1 bcm/year and 2 bcm/year of gas respectively, acquired in accordance with the contract under the same terms and conditions as those agreed with Corpus Christi Liquefaction, LLC. ENEL, S.p.A. granted a guarantee in favour of ENDESA, S.A. for US dollars 137 million (approximately Euros 112 million at 31 December 2020 and Euros 122 million at 31 December 2019) to comply with this contract (see Note 18.2).

## 18. Related party transactions.

During 2020 and 2019, the Directors, or persons acting on their behalf, did not carry out transactions with the Company (or its other subsidiaries) other than in the normal course of business or other than in accordance with market conditions.

In 2020, the amount of transactions carried out with other related parties of certain members of the Board of Directors, does not exceed Euros 8 million combined (Euros 8 million in 2019). These transactions correspond to the Company's normal business activities and were in all cases carried out under normal market conditions.

Related party transactions during 2020 and 2019 were in the normal course of business and conducted at arm's length.

### 18.1. Related-party transactions.

Details of transactions concluded with related parties in 2020 and 2019 are as follows:

Millions of euros

	Note	2020					Total
		Significant shareholders	Directors and executives (Note 18.3)	Group Companies	Associates	Other related parties	
Financial expense	16.4	-	-	(159)	-	-	(159)
Leases	7.1 and 16.3	-	-	(8)	-	(1)	(9)
Services received	16.3	(7)	-	(35)	-	(7)	(49)
Other Expenses		-	-	(7)	-	-	(7)
Exchange gains/(losses)		-	-	(8)	-	-	(8)
Change in fair value of financial instruments		-	-	1	-	-	1
<b>TOTAL EXPENSES</b>		<b>(7)</b>	<b>-</b>	<b>(209)</b>	<b>-</b>	<b>(8)</b>	<b>(224)</b>
Dividends received	8.1,1 and 16.1	-	-	2,585	-	-	2,585
Provision of services	16.1	1	-	280	-	-	281
Other income		-	-	6	-	-	6
Impairment and Results of Investments in Group Companies and Associates	8.1 and 11.3	-	-	4	-	-	4
<b>TOTAL INCOME</b>		<b>1</b>	<b>-</b>	<b>2,875</b>	<b>-</b>	<b>-</b>	<b>2,876</b>
<b>Dividends and other Distributed Benefits</b>	<b>3</b>	<b>1,095</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,095</b>
<b>Other Operations: Purchase of Intangible Assets</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>19</b>

Millions of euros

	Note	2019					Total
		Significant shareholders	Directors and executives (Note 18.3)	Group Companies	Associates	Other related parties	
Financial expense	16.4	-	-	(172)	-	-	(172)
Leases	7.1 and 16.3	-	-	(8)	-	-	(8)
Services received	16.3	(3)	-	(43)	-	(8)	(54)
Other Expenses		-	-	(38)	-	-	(38)
Exchange gains/(losses)		-	-	(22)	-	-	(22)
Change in fair value of financial instruments		-	-	(16)	-	-	(16)
<b>TOTAL EXPENSES</b>		<b>(3)</b>	<b>-</b>	<b>(261)</b>	<b>-</b>	<b>(8)</b>	<b>(272)</b>
Financial Income	16.4	-	-	1	-	-	1
Dividends received	8.1.1 and 16.1	-	-	1,855	-	-	1,855
Provision of services	16.1	1	-	281	-	-	282
Other income		-	-	5	-	-	5
<b>TOTAL INCOME</b>		<b>1</b>	<b>-</b>	<b>2,142</b>	<b>-</b>	<b>-</b>	<b>2,143</b>
<b>Dividends and other Distributed Benefits</b>	<b>3</b>	<b>1,059</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,059</b>
<b>Other Operations: Purchase of Intangible Assets</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>22</b>

In addition, the Company has signed with ENDESA Energía, S.A.U. and ENEL Global Trading, S.p.A. contracts for the sale of liquefied natural gas (LNG) for which it transfers, under the same conditions, the purchases that the Company has contracted with Corpus Christi Liquefaction, LLC for the fulfilment of the aforementioned contracts (see Note 17.2). This operation is considered an intermediation and is presented netted in the Income Statement under the item "Procurements". In 2020, this income amounted to Euros 544 million (Euros 369 million in 2019).

## 18.2. Balances with related parties.

At 31 December 2020 and 2019, balances with related parties recognised in the statement of financial position are as follows:

Millions of euros

	Note	31 December 2020					Total
		Significant shareholders	Directors and executives (Note 18.3)	Group Companies	Associates	Other related parties	
<b>Long-Term Financial Investments</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>18,878</b>	<b>-</b>	<b>-</b>	<b>18,878</b>
Equity instruments		-	-	18,878	-	-	18,878
<b>Trade and other receivables</b>		<b>3</b>	<b>-</b>	<b>179</b>	<b>-</b>	<b>2</b>	<b>184</b>
<b>Short-Term Financial Investments</b>	<b>8</b>	<b>76</b>	<b>-</b>	<b>343</b>	<b>-</b>	<b>-</b>	<b>419</b>
Loans to companies		76	-	12	-	-	88
Other financial assets		-	-	331	-	-	331
<b>Long-Term Debts</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>(6,303)</b>	<b>-</b>	<b>-</b>	<b>(6,303)</b>
Long-Term Debts to Group Companies and Associates		-	-	(6,303)	-	-	(6,303)
<b>Short-Term Debts</b>	<b>12</b>	<b>(528)</b>	<b>-</b>	<b>(55)</b>	<b>(21)</b>	<b>-</b>	<b>(604)</b>
Short-Term Debts to Group Companies and Associates		(8)	-	(45)	(21)	-	(74)
Other financial liabilities		(520)	-	(10)	-	-	(530)
<b>Trade and other payables</b>		<b>(5)</b>	<b>-</b>	<b>(29)</b>	<b>-</b>	<b>-</b>	<b>(34)</b>
<b>Guarantees received</b>	<b>17.2 and 18.3</b>	<b>112</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>112</b>
<b>Guarantees provided</b>	<b>17.1 and 18.3</b>	<b>-</b>	<b>7</b>	<b>3,342</b>	<b>7</b>	<b>-</b>	<b>3,356</b>
<b>Financing agreements</b>	<b>18.3</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>

Millions of euros

	Note	31 December 2019					Total
		Significant shareholders	Directors and executives (Note 18.3)	Group Companies	Associates	Other related parties	
<b>Long-Term Financial Investments</b>	8	-	-	18,893	-	-	18,893
Equity instruments		-	-	18,893	-	-	18,893
<b>Trade and other receivables</b>		4	-	121	-	-	125
<b>Short-Term Financial Investments</b>	8	111	-	804	-	-	915
Loans to companies		111	-	-	-	-	111
Derivatives	14	-	-	2	-	-	2
Other financial assets		-	-	802	-	-	802
<b>Long-Term Debts</b>	12	-	-	(8,010)	-	-	(8,010)
Long-Term Debts to Group Companies and Associates		-	-	(8,009)	-	-	(8,009)
Derivatives	14	-	-	(1)	-	-	(1)
<b>Short-Term Debts</b>	12	(527)	-	(95)	(15)	-	(637)
Short-Term Debts to Group Companies and Associates		(7)	-	(53)	(15)	-	(75)
Derivatives	14	-	-	(27)	-	-	(27)
Other financial liabilities		(520)	-	(15)	-	-	(535)
<b>Trade and other payables</b>		(6)	-	(41)	-	-	(47)
<b>Guarantees received</b>	17.2 and 18.3	122	-	-	-	-	122
<b>Guarantees provided</b>	17.1 and 18.3	-	7	3,313	-	-	3,320
<b>Financing agreements</b>	18.3	-	1	-	-	-	1

At 31 December 2020, ENDESA, S.A. had two committed and irrevocable intercompany credit lines with ENEL Finance International, N.V., for amounts of Euros 1,000 million and Euros 700 million respectively (a single intercompany credit line for an amount of Euros 1,000 million at 31 December 2019). At 31 December 2020 and 31 December 2019, there was no amount drawn under these credit lines (see Note 12.2).

### 18.3. Information regarding the Directors and Senior Management.

#### 18.3.1. 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 fiscal year, subject to the limits set forth by the General Shareholders’ Meeting, as well as distributing such amount between the aforementioned items and between the Directors in the manner, time and proportion as freely determined, taking into account the 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 compensation 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 accruing to Directors in 2020 and 2019 was as follows:

Thousands of Euros

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 <sup>(1)</sup>	2,420
Share-based payment plans	86 <sup>(2)</sup>	-
Indemnities	-	9,615 <sup>(3)</sup>
Long-term savings schemes	485	645
Other Items <sup>(4)</sup>	375	3,633
<b>TOTAL</b>	<b>4,984</b>	<b>19,035</b>

(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.

## 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:

Thousands of Euros

	2020		2019	
	Remuneration for belonging to the Board of Directors and/or Board Committees	Salaries	Remuneration for belonging to the Board of Directors and/or Board Committees	Salaries
Borja Prado Eulate <sup>(1)</sup>	-	-	53	320
Juan Sánchez-Calero Guilarte <sup>(2)</sup>	604	-	432	-
Francesco Starace	-	-	-	-
José Bogas Gálvez	-	929	-	740
Alejandro Echevarría Busquet	188	-	188	-
Alberto de Paoli	-	-	-	-
Helena Revoredo Delvecchio <sup>(3)</sup>	7	-	188	-
Miquel Roca Junyent	221	-	225	-
Enrico Viale <sup>(4)</sup>	-	-	-	-
Ignacio Garralda Ruiz de Velasco	200	-	200	-
Francisco de Lacerda	191	-	188	-
Maria Patrizia Grieco	188	-	188	-
Antonio Cammisecra <sup>(5)</sup>	-	-	-	-
Eugenia Bieto Caubet <sup>(6)</sup>	123	-	-	-
Pilar González de Frutos <sup>(6)</sup>	123	-	-	-
Alicia Koplowitz y Romero de Juseu <sup>(6)</sup>	123	-	-	-
<b>TOTAL</b>	<b>1,968</b>	<b>929</b>	<b>1,662</b>	<b>1,060</b>

(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 in 2020 and 2019 by the Chairman and Chief Executive Officer, for performing his executive tasks, are itemised below:

Thousands of Euros

	2020		2019	
	Short-term	Long-term	Short-term	Long-term
Borja Prado Eulate <sup>(1)</sup>	-	-	-	1,023
José Bogas Gálvez	571	570	540	857
<b>TOTAL</b>	<b>571</b>	<b>570 <sup>(2)</sup></b>	<b>540</b>	<b>1,880</b>

(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 <sup>(1)</sup>	-	-	4	-
Juan Sánchez-Calero Guilarte <sup>(2)</sup>	21	-	15	-
Francesco Starace	-	-	-	-
José Bogas Gálvez	-	-	-	-
Alejandro Echevarría Busquet	38	-	44	-
Alberto de Paoli	-	-	-	-
Helena Revoredo Delvecchio <sup>(3)</sup>	-	-	36	-
Miquel Roca Junyent	47	-	53	-
Enrico Viale <sup>(4)</sup>	-	-	-	-
Ignacio Garralda Ruiz de Velasco	43	-	54	-
Francisco de Lacerda	43	-	54	-
María Patrizia Grieco	21	-	19	-
Antonio Cammisecra <sup>(5)</sup>	-	-	-	-
Eugenia Bieto Caubet <sup>(6)</sup>	24	-	-	-
Pilar González de Frutos <sup>(6)</sup>	24	-	-	-
Alicia Koplowitz y Romero de Juseu <sup>(6)</sup>	15	-	-	-
<b>TOTAL</b>	<b>276</b>	<b>-</b>	<b>279</b>	<b>-</b>

(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 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 18.2).

### 18.3.2. Remuneration of Senior management.

Identification of members of Senior management of ENDESA, S.A. who are not Executive Directors.

Name	Senior executives in 2020
	Position <sup>(1)</sup>
Ignacio Jiménez Soler <sup>(2)</sup>	General Manager - Communication
Juan María Moreno Mellado	General Manager - Energy Management
Andrea Lo Faso <sup>(3)</sup>	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
José Casas Marín	General Manager - Institutional Relations and Regulation
José Luis Puche Castillejo <sup>(4)</sup>	General Manager - Media
Pablo Azcoitia Lorente	General Manager - Media
Gonzalo Carbó de Haya	General Manager - Nuclear Power
Patricia Fernández Salís	General Manager - Audit
María Malaxechevarría Grande	General Manager - Sustainability
Ignacio Mateo Montoya <sup>(5)</sup>	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 <sup>(1)</sup>
Alberto Fernández Torres <sup>(2)</sup>	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
Francisco de Borja Acha Besga	General Secretary to the Board of Directors and General Manager - Legal Counsel and Corporate Affairs
José Casas Marín	General Manager - Institutional Relations and Regulation
José Luis Puche Castillejo	General Manager - Media
Gonzalo Carbó de Haya	General Manager - Nuclear Power
Luca Minzolini <sup>(3)</sup>	General Manager - Audit
Patricia Fernández Salís <sup>(4)</sup>	General Manager - Audit
Paolo Bondi	Managing Director
María Malaxechevarría Grande	General Manager - Sustainability
Pablo Azcoitia Lorente	General Manager - Purchasing
Luca Passa	General Manager - Administration, Finance and Control

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 are not Executive Directors was as follows:

Thousands of Euros

	Remuneration			
	In the Company		For membership of Boards of Directors of ENDESA Group companies	
	2020	2019	2020	2019
Fixed remuneration	4,114	4,294	-	-
Variable remuneration	3,531 <sup>(1)</sup>	4,295	-	-
Per Diems for attendance	-	-	-	-
Statutory Emoluments	-	-	-	-
Options on shares and other financial instruments	282 <sup>(2)</sup>	-	-	-
Other	1,413	1,700	-	-
<b>TOTAL</b>	<b>9,340</b>	<b>10,289</b>	-	-

(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 3,830 thousand, corresponding to short-term variable remuneration (Euros 1,845 thousand) and long-term variable remuneration (Euros 1,985 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	266	177	-	-
Loans granted	-	-	-	-
Pension funds and schemes: Contributions	621	703	-	-
Pension funds and schemes: Obligations assumed	15,171	13,602	-	-
Life and accident insurance premiums	138	161	-	-

## 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.

### 18.3.3. 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 or "CNR") 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:
  - 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.
  - 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 9 and 11, respectively.

#### 18.3.4. 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	% Stake	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 2019, were as follows:

- The Executive Directors, in their capacity as Directors of ENEL Iberia S.L.U., 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 such situations arising in 2020, the Executive Directors did not participate in the deliberation or voting on these agenda items of the corresponding Board 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 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).

### 18.3.5. Share-based payment plans tied to the ENDESA, S.A. share price.

ENDESA's variable long-term remuneration takes the form of long-term remuneration plans, known as Loyalty Plans, and the Strategic Incentive, the main purpose of which is to strengthen the commitment of the employees who occupy positions of greatest 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 **Chief Executive Officer** 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)<sup>1</sup>, defined as ENDESA's accumulated ROACE in the accrual period, represented by the ratio of Ordinary EBIT<sup>2</sup> to average net capital invested (NCI)<sup>3</sup> accumulated during the period.

<sup>1</sup> Return on Average Capital Employed (ROACE) (%) = Ordinary EBIT / Average Net Capital Invested (Average NCI).

<sup>2</sup> Ordinary EBIT (Euros Millions) = EBIT adjusted for unbudgeted extraordinary effects.

<sup>3</sup> Average Net Capital Invested (Average NCI) (Euros Millions) = ((Equity + Net Financial Debt – Cash and cash equivalents)<sub>n</sub> + (Equity + Net Financial Debt – Cash and other cash equivalents)<sub>n-1</sub>) / 2

- c) Starting with the 2018 Plan, an objective of reducing carbon dioxide (CO<sub>2</sub>) emissions is included. This indicator measures ENDESA's CO<sub>2</sub> emissions in Spain and Portugal, understood as the ratio of absolute CO<sub>2</sub> 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.

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 in 2019 totalled Euros 2.5 million (Euros 4 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)<sup>4</sup> objective, cumulative over the accrual period. The target for ENDESA's average accumulated capital employed represents the relationship between ordinary Operating Profit (ordinary EBIT<sup>5</sup>) and average Net Invested Capital (average NIC<sup>6</sup>), cumulatively for the 2020-2022 period.

<sup>4</sup> Return on Average Capital Employed (ROACE) (%) = Ordinary EBIT / Average Net Capital Invested (Average NCI).

<sup>5</sup> Ordinary EBIT (Euros Millions) = EBIT adjusted for unbudgeted extraordinary effects.

<sup>6</sup> Average Net Capital Invested (Average NCI) (Euros Millions) = ((Equity + Net Financial Debt – Cash and cash equivalents)<sub>n</sub> + (Equity + Net Financial Debt – Cash and other cash equivalents)<sub>n-1</sub>) / 2

This parameter will be weighted at 40% of the total incentive.

- c) Reduction in carbon dioxide (CO<sub>2</sub>) 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 million, of which Euros 0.5 million corresponding to the estimate of the share-based payments that will be settled in equity instruments and Euros 0.5 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 Equity part of the Balance Sheet, relating to the Plan described above, was only added to by the accruals of the 2020 financial year, the balance at 31 December 2020 being Euros 0,5 million.

## 19. Other information.

### 19.1. Personnel.

The Company's average headcount in 2020 and 2019, detailed by category and gender, was as follows:

Number of Employees	2020			2019		
	Men	Women	Total	Men	Women	Total
	Executives	94	30	124	98	29
Middle Management	441	444	885	433	426	859
Administration staff and operatives	106	203	309	105	208	313
<b>TOTAL EMPLOYEES</b>	<b>641</b>	<b>677</b>	<b>1,318</b>	<b>636</b>	<b>663</b>	<b>1,299</b>

At 31 December 2020 and 2019, the breakdown of the headcount by category and gender was as follows:

Number of Employees	31 December 2020			31 December 2019		
	Men	Women	Total	Men	Women	Total
	Executives	92	29	121	96	31
Middle Management	441	456	897	446	445	891
Administration staff and operatives	103	194	297	106	208	314
<b>TOTAL EMPLOYEES</b>	<b>636</b>	<b>679</b>	<b>1,315</b>	<b>648</b>	<b>684</b>	<b>1,332</b>

The average number of persons with a disability of 33% or more employed in 2020 and 2019, by category and gender, was as follows:

Number of Employees	2020			2019		
	Men	Women	Total	Men	Women	Total
	Middle Management	3	4	7	3	3
Administration staff and operatives	4	4	8	4	4	8
<b>TOTAL EMPLOYEES</b>	<b>7</b>	<b>8</b>	<b>15</b>	<b>7</b>	<b>7</b>	<b>14</b>

## 19.2. Audit fees.

The fees for the services provided by KPMG Auditores, S.L. and other entities of KPMG in auditing the Financial Statements of ENDESA, S.A. for the year ended 31 December 2020 (and by Ernst & Young, S.L. and other entities of Ernst & Young 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 entities of KPMG		Ernst & Young, S.L. and other entities of Ernst & Young	
For auditing services		979		1,145
For other accounting verification services <sup>(1)</sup>		549		1,263
For other services		-		10
<b>TOTAL</b>		<b>1,528</b>		<b>2,418</b>

(1) Corresponding in financial year 2020 to limited reviews of Interim Financial Statements, reports on agreed procedures and of conformity in relation to issues of securities, services provided by KPMG Auditores, S.L. and other entities of KPMG to ENDESA, S.A. during the financial year ended 31 December 2020.

## 19.3. Information on average payment period to suppliers. Third additional provision. “Duty of disclosure” under Law 15/2010 of 5 July.

Pursuant to Law 15/2010 of 5 July, details of the degree of compliance by the Company with the statutory limits on payment to suppliers in 2020 and 2019 are as follows:

Number of days	2020		2019	
	Average payment period to suppliers		34	
Ratio of transactions paid		35		49
Ratio of transactions pending payment		27		45

Thousands of Euros	2020		2019	
	Total payments made		164,796	
Total payments pending		15,782		20,021

## 19.4. Insurance.

The Company has taken out insurance policies to cover the risk of damage to property, plant and equipment of the parent company and the subsidiaries in which it has a shareholding of 50% or more or of which it has effective control. The limits and coverage are appropriate to the types of risk and country of operation.

Additionally, for certain assets, the possible loss of profits that could result from stoppages at the plants is covered.

Possible claims against the Company by third parties due to the performance of its activity are also covered.

## 20. Information on environmental activities

During financial years 2020 and 2019, no current expenses corresponding to environmental activities were recognised.

At 31 December 2020 and 2019, the Company did not have any environmental assets and it did not acquire or dispose of any environmental assets or receive any grants for that purpose during 2020 and 2019.

At the date of issue of these consolidated financial statements, The Company's Directors consider that there are no known or probable environmental expenses relating to these risks for which provisions should be made (see Note 21).

## 21. Climate change.

	Line of action	2020 Objective	2020 Profit/Loss	Key actions
Decarbonisation of the Energy Mix	Specific CO <sub>2</sub> emissions (g/kWh).	277	180	Reduction of specific emissions by around 60% compared to 2017.
	Free production of CO <sub>2</sub> (% 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	<b>Cessation of peninsular coal activity in 2021.</b>

### 21.1. 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.

#### 21.1.1. 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. 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 CO<sub>2</sub> 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 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 National Integrated 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 MtCO<sub>2</sub>-eq emitted in 2018, to 221.8 MtCO<sub>2</sub>-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 National Integrated 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.

### 21.1.2. 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 CO<sub>2</sub> 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.

## **21.2. 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 CO<sub>2</sub> 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 18.3.5), 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 CO<sub>2</sub> 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.

### 21.3. 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 CO<sub>2</sub> 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 10.1), 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 CO<sub>2</sub> equivalent in 2030, compared with 2017, by when 80% of the generation mix will be CO<sub>2</sub>-free. This ambitious plan will reduce specific emissions to 150 gCO<sub>2</sub>-eq/kWh in 2023 and below 95 gCO<sub>2</sub>-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, 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
<b>Capacity, Spain and Portugal</b>	<b>7,781</b>	<b>7,408</b>
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.

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
<b>TOTAL</b>				<b>390.7</b>

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.

#### 21.3.1. Scenarios

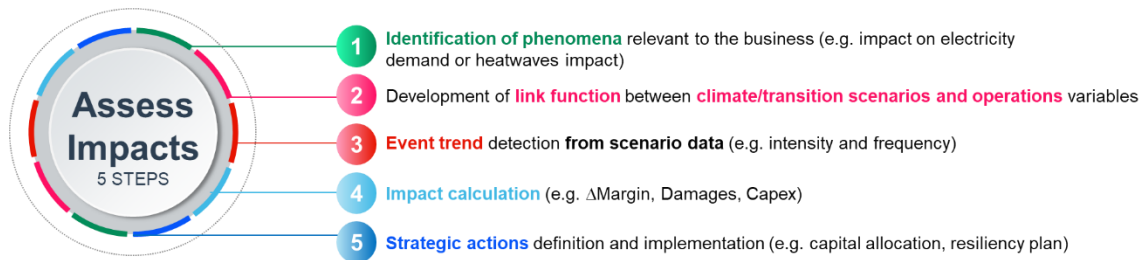
ENDESA uses climate, energy and macro-economic scenarios at the short (Strategic Plan), medium (corresponding to the terms of coverage of the National Integrated Energy and Climate Plan ("PNIEC")) and long-term (2050) horizons, to evaluate the flexibility and resilience of its Strategic Plan. In these 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:



### 21.3.1.1. 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.

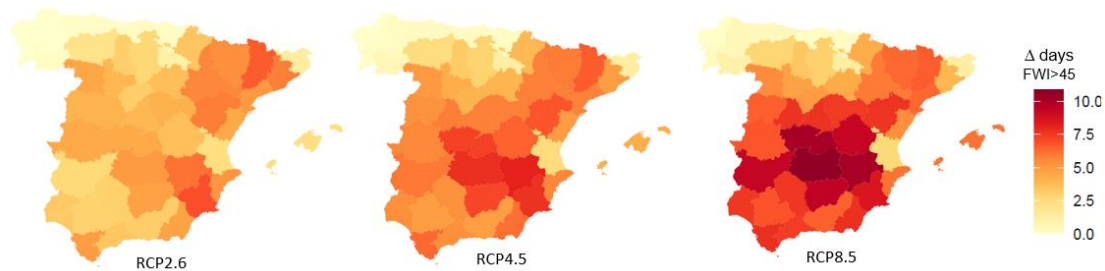
According to the climatic projections according to the Representative Concentration Pathway 8.5 (RCP 8.5) scenario, the Mediterranean region will suffer an increase in the average temperature and a decrease in rainfall, effects that will be more pronounced in the second half of the century. According 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).

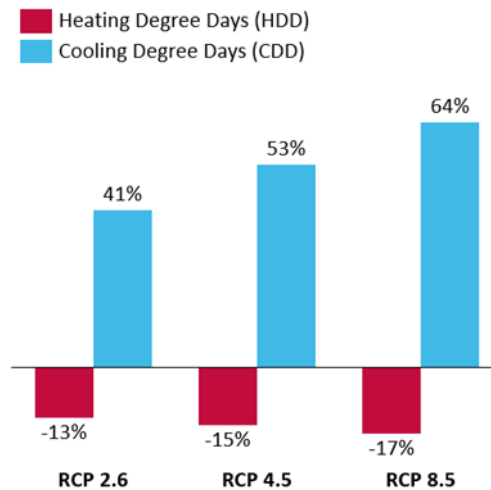


Average number of days with extreme fire risk: differential between Representative Concentration Pathway (RCP) scenarios and historical period.

- 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)<sup>7</sup> and Cooling Degree Day” (CDD)<sup>8</sup>. 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.

<sup>7</sup> Heating 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.

<sup>8</sup> Cooling 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.

### 21.3.1.2. 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:

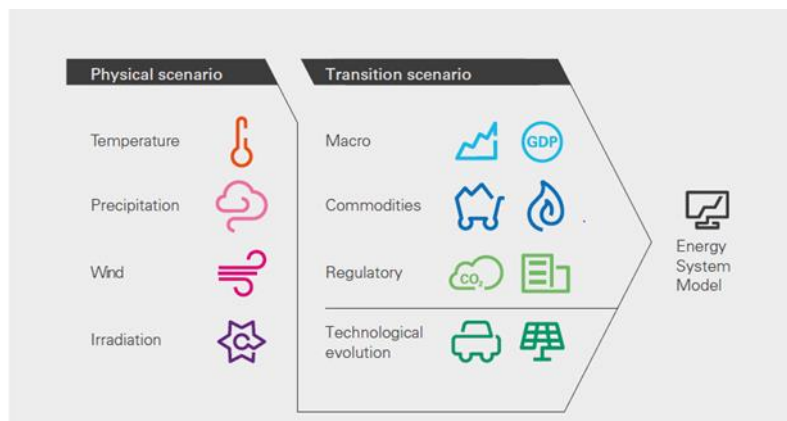
- The assumptions relating to the regulatory context regarding climate change, which regulate aspects such as the reduction of CO<sub>2</sub> emissions, the efficiency of the energy system, the decarbonisation of the electricity sector, the reduction of oil consumption, etc.
- The macro-economic and 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 CO<sub>2</sub> 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 National Integrated 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 CO<sub>2</sub> emissions, for which ENDESA has set a target in its Scope 3.



## 21.4. Risk management

ENDESA has a Risk Management and Control General Policy, approved by the Board of Directors (see Note 13). 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 off-balance sheet risks.

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 CO<sub>2</sub> 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 <sub>2</sub> 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 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.

#### **21.4.1. Chronic and acute physical risks and opportunities.**

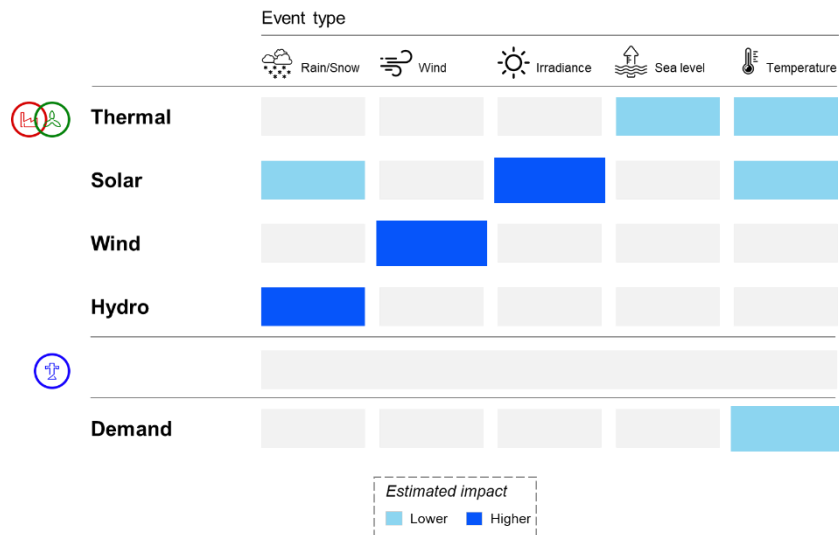
In reference to the risks and opportunities associated with the physical variables, and taking as a reference the scenarios defined by the Intergovernmental Group of Experts on Climate Change (IPCC), we attempt to evaluate the evolution of the following variables and the operational and industrial phenomena 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 (IPCC<sup>9</sup>) 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

<sup>9</sup> 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.

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.

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.

#### 21.4.2. 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 4 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 minimize 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 mobilize 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 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 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

### 21.4.3. 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 National Integrated 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 (CO<sub>2</sub>): 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 CO<sub>2</sub> market with stable price signals.
  - o Risks: Control and command type regulatory adjustments to CO<sub>2</sub> 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 National Integrated 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 National Integrated 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.



- 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.
  - Opportunities: positive externalities in terms of lower financing costs and greater investment capacity.
  - 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.
  - 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.
  - 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 have a leading role in National Integrated 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 National Integrated 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.
  - Opportunity: Increased demand for low-carbon products and services.
  - 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.
  - Opportunities: Positive effects deriving from the increased demand for electricity and higher margins related to the penetration of electric transport.
  - 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 National Integrated 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 National Integrated 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 National Integrated Energy and Climate Plan (“PNIEC”) incorporates ambitious plans for renovating residential equipment.

## **21.5. Metrics and objectives.**

### **21.5.1. 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.

### **21.5.2. 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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.



### 21.5.3. Direct and indirect emissions of carbon dioxide (CO<sub>2</sub>) .

Carbon dioxide (CO<sub>2</sub>) emissions Scope 1, 2 and 3:

	CO <sub>2</sub> (t) Scope 1	CO <sub>2</sub> (t) Scope 2	CO <sub>2</sub> (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 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 (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O) 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 (SF<sub>6</sub>) 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 (CO<sub>2</sub>) in fire extinguishing equipment in the management of port terminals.
- Fugitive methane emissions (CH<sub>4</sub>) in reservoirs owned by ENDESA associated with hydroelectric generation.

- Carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O) emissions derived from fuel consumption in boilers and generators in administrative activities in ENDESA's buildings.
- Emissions of carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O) 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 CO<sub>2</sub> 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 <sub>2</sub> /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 (CO<sub>2</sub>) equivalent emissions to 150 gCO<sub>2</sub>eq/kWh in 2023 and below 95 gCO<sub>2</sub>eq/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 gCO<sub>2</sub>eq/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.

#### **21.5.4. 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 CO<sub>2</sub> 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% CO<sub>2</sub> 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.

## **21.6. Transparency and recognition.**

### **21.6.1. 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

### 21.6.2. 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-CO<sub>2</sub>), 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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-CO<sub>2</sub>: 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.

## 21.7. 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 CO<sub>2</sub> 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.

### 21.7.1. 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.

### 21.7.2. 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.

### 21.7.3. 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 CO<sub>2</sub> equivalent were offset.

On this occasion, the credits used to offset internal events come from various hydroelectric generation projects in Southeast Asia.

### 21.7.4. 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 CO<sub>2</sub>, 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.

## 22. 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 (CO<sub>2</sub>) 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 Euro 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 National 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 Spanish 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.

On 30 January 2021, Royal Decree 1/2021, dated 12 January, was published, amending the General Accounting Plan approved by Royal Decree 1514/2007, dated 16 November 2007, the General Accounting Plan for Small and Medium-Sized Companies approved by Royal Decree 1515/2007, dated 16 November 2007, the Standards for the Preparation of Consolidated Financial Statements approved by Royal Decree 1159/2010, dated 17 September 2010, and the standards for the Adaptation of the General Accounting Plan to non-profit entities approved by Royal Decree 1491/2011, of 24 October 2011. Also, on 13 February 2021, the Resolution of 10 February 2021, of the "Instituto de Contabilidad y Auditoría de Cuentas" or "ICAC" (Accounting and Auditing Institute) was published, which establishes rules for the recording, valuation and preparation of the Financial Statements for the recognition of income from the delivery of goods and the rendering of services.

The changes of the standards are applicable to fiscal years beginning on or after 1 January 2021 and focus on the criteria for the recognition, valuation and breakdown of income from the delivery of goods and services, financial instruments, hedge accounting, valuation of inventories of commodities traded by intermediaries that trade with them and the definition of fair value.

In this sense, the Annual Accounts corresponding to the first fiscal year beginning on or after 1 January 2021 will be presented including comparative information, although there is no obligation to restate the information of the previous fiscal year. The comparative information will only be restated if all the criteria approved by the Royal Decree can be applied without incurring a retrospective bias, without prejudice to the exceptions established in the transitional provisions.

The application of the standards, in general, is retroactive, although with alternative practical solutions. However, the application of hedge accounting is prospective, the classification criteria for financial instruments can be applied prospectively and the criteria for revenue from sales and provision of services can be applied prospectively to contracts commenced on or after 1 January 2021.

The Company's Directors are carrying out an evaluation of the applicable transition options and the accounting impacts that these changes will have, although at the date of preparation of these Financial Statements they do not yet have sufficient information to conclude on the results of this analysis.

Except as mentioned in the preceding paragraphs, no significant events have occurred between 31 December 2020 and the date of formulation of these Financial Statements that have not been reflected in these Financial Statements.

### **23. Explanation added for translation to English.**

These Financial Statements are presented on the basis of accounting principles generally accepted in Spain. Consequently, certain accounting practices applied by the Company that conform to generally accepted accounting principles in Spain 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 prevails.

**Formulation Signatures**  
**ENDESA, S.A.**  
**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 Financial Statements (Balance Sheet; Income Statement; Statement of Changes in Net Equity; Statement of Recognized Income and Expenses, Comprehensive Statement of Changes in Net Equity; Cash-Flow Statement; and Annual Report) of ENDESA, Sociedad Anónima 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 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").

<b>D. Juan Sánchez-Calero Guilarte</b> Chairman	<b>D. Francesco Starace</b> Vice Chairman
<b>D. José Damián Bogas Gálvez</b> Chief Executive Officer	<b>Dña. Eugenia Bieto Caubet</b> Director
<b>D. Antonio Cammisecra</b> Director	<b>D. Alejandro Echevarría Busquet</b> Director
<b>D. Ignacio Garralda Ruiz de Velasco</b> Director	<b>Dña. Pilar González de Frutos</b> Director
<b>Dña. Maria Patrizia Grieco</b> Director	<b>Dña. Alicia Koplowitz y Romero de Juseu</b> Director
<b>D. Francisco de Lacerda</b> Director	<b>D. Alberto de Paoli</b> Director
<b>D. Miquel Roca Junyent</b> Director	

Madrid, 23 February 2021

**ENDESA, S.A.**

**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)

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

## ENDESA, S.A.

### MANAGEMENT REPORT

#### FOR THE YEAR ENDED 31 DECEMBER 2020

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

## ENDESA, S.A.

### MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

#### 1. Business performance.

ENDESA, S.A., “the Company”, is a holding company, so its income essentially depends on dividends from its subsidiaries and its expenses on the cost of its debt. Provisions for investments can also be made or reversed based on changes in the value of its subsidiaries.

Net revenues in 2020 amounted to Euros 2,866 million, of which Euros 2,585 million corresponded to income from dividends from Group Companies and Associates and Euros 281 million to income from the provision of services to dependent companies.

The details of ENDESA’s income from dividends in 2020 are as follows:

Millions of euros	
Company	Dividend
ENDESA Red, S.A.U.	1,510
ENDESA Energía, S.A.U.	933
ENDESA Financiación Filiales, S.A.U.	139
ENDESA Capital, S.A.U.	3
<b>TOTAL</b>	<b>2,585</b>

In 2020, operating income amounted to Euros 2,880 million, while operating expenses totalled Euros 460 million, generating operating profit for the year of Euros 2,420 million.

The financial result for 2020 was a negative Euros 173 million, the main component being finance expense on debts to Group Companies and Associates amounting to Euros 159 million.

Pre-tax profit for the year was Euros 2,247 million.

In 2020, Euros 83 million of income was recognised from accrued income tax. This is because the dividends received from Group Companies, which are the Company’s main source of income, are not taxed since these companies’ profits have already been taxed as part of the consolidated tax group, which is represented in Spain by ENEL Iberia, S.L.U.

Net income for 2020 amounted to Euros 2,330 million.

#### 2. Main financial transactions.

The main financial transaction carried out in 2020 was ENDESA S.A.’s registering a new Euro Commercial Paper (ECP) SDG7 issue programme for an amount of Euros 4,000 million, the outstanding balance of which at 31 December 2020 was 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.

To strengthen the liquidity position and ensure the continuity of business activity, the following financial transactions were signed during 2020:

Millions of euros

	Counterparty	Date of Signing	Expiry Date	Amount
Loan <sup>(1) (2)</sup>	Caixabank, S.A., Bankia, S.A. and Kutxabank, S.A.	17 April 2020	19 April 2022	300
Credit Line <sup>(1)</sup>	Caixabank, S.A., Bankia, S.A. and Kutxabank, S.A.	17 April 2020	19 April 2022	250
Intercompany Line of Credit <sup>(2)</sup>	ENEL Finance International, N.V.	03 June 2020	03 June 2022	700
Loan <sup>(3)</sup>	European Investment Bank (EIB)	30 July 2020	03 September 2035	35
<b>TOTAL</b>				<b>1,285</b>

(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.

### 3. Events after the reporting period.

Events after the reporting period are described in Note 22 to the Financial Statements for the year ended 31 December 2020.

### 4. 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 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, S.A. as part of its commitment to society, designed a Public Responsibility Plan, endowed with Euros 24 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 16.3. to the Financial Statements, Other Operating Expenses).

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, S.A., as head of its Group of companies, 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's subsidiaries 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 2. Main Financial Operations in this 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 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.

## 5. Outlook.

ENDESA, S.A.'s future profits will essentially depend on the dividends it receives from its subsidiaries, which are basically determined by the profits made by those companies.

The Company's Directors believe that ENDESA S.A. will receive sufficient dividends from its subsidiaries to meet its operating and financial costs.

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 financial year, 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 will 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.

Notwithstanding the foregoing, the ability of ENDESA, S.A. to distribute dividends among its shareholders depends on numerous factors, including the generation of profits and the availability of distributable reserves, and no assurance can be given as to such dividends as may be paid in future years or as to their amount.

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 appropriation of profit for 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. 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.

## **6. Risk Management and Control General Policy and main risks associated with ENDESA's business**

Information on ENDESA, S.A.'s Risk Management and Control General Policy is included in Note 13 to the financial statements of ENDESA S.A. for the year ended 31 December 2020.

### **6.1. 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 Management and Control General Policy is implemented through an Internal Risk Control and 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 Management and Control 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 and Anticorruption 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 from which a criminal liability might derive for ENDESA, S.A.
- **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 Management and Control 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 and employment risks.

Information regarding ENDESA’s risk management and derivative financial instruments is provided in Notes 13.1 and 14 to the financial statements for the year ended 31 December 2020.

The Annual Corporate Governance Report, which describes ENDESA, S.A.'s risk management and control systems, forms an integral part of this Management Report (see Section 12. 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 Management Report).

## 6.2. ENDESA's Criminal and anti-bribery risk prevention model

ENDESA, S.A. is aware that the sustainable compliance 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, S.A.:

- Criminal Risk Prevention and Anti-Bribery Model: A document that provides ENDESA, S.A. 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.A.'s employees, whether Directors or employees of any kind, in these companies.
- Zero Tolerance Plan with Corruption: A document that represents ENDESA, S.A.'s firm commitment to the fight against corruption, which is the result of its subscribing 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, as does 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).

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 the 2020 financial year, ENDESA, S.A. received, either through the Ethics Channel or other means, a total of 1 report relating to corruption, and/or fraud in which non-compliance with the Code of Ethics has not been verified. The investigation of which is closed at the date of formulation of this Management Report.

### 6.3. 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. ENDESA, S.A.'s Internal Control Unit is the area responsible for identifying the most significant processes, activities, risks and controls of the Internal Control of Financial Reporting (ICFR) that it considers material to provide reasonable assurance that the information disclosed externally by ENDESA, S.A. is reliable and appropriate.

The documentation of the processes forming part of the ICFR of ENDESA, S.A. 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, S.A. carries out an evaluation process of the ICFR in which each person responsible for its controls 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) 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
- 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.A.'s Internal Control System of Financial Information (ICFR), which since 2006 has been configured as a reliable and effective system to guarantee the integrity and veracity of financial information.

### 6.4. Risk Management and Control

ENDESA, S.A. 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.A.’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, the Risk Control area 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.

## 6.5. Main risks and uncertainties

As the Parent of a group of companies, ENDESA, S.A. is exposed to the same risks as Group of companies that it heads, since any risk materialising in a subsidiary will affect the value of ENDESA, S.A.’s portfolio of investments and associated dividend payments.

ENDESA, S.A.'s activities are carried out against a backdrop in which outside factors may affect the performance of its operations and its earnings.

With the global expansion of the economic crisis, which originated in the COVID-19 healthcare crisis (see Section 4. COVID-19 Healthcare Crisis of this Management Report), ENDESA faces greater uncertainty and its business could be affected by adverse economic and political conditions in Spain, Portugal, the Eurozone and international markets.

The main risks that may affect ENDESA's operations, including those resulting from the COVID-19 health crisis, mentioned above, are as follows:

Risk	Section	Description	Metric	Significance <sup>(3)</sup>
Strategic Risks	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 <sup>(1)</sup>	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 <sup>(2)</sup>	High
Financial risks	b.3	ENDESA's activities could be affected by natural resources, climate and weather conditions.	Stochastic <sup>(2)</sup>	Medium
	b.4 and b.5	Interest rate risks and free cash flow (liquidity).	Stochastic <sup>(2)</sup>	Low
	b.6	ENDESA is exposed to credit risk.	Stochastic <sup>(2)</sup>	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 <sup>(2)</sup>	Low
	c.1	ENDESA is exposed to risks associated with the construction of new electricity generation and supply facilities	Scenarios <sup>(1)</sup>	Low
Operational Risks	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 <sup>(1)</sup>	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.	-	<sup>(4)</sup>
Other Risks	d.1	ENDESA manages its activities through information technologies, key to its business, that could be affected by external attacks.	-	<sup>(4)</sup>
	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.).	-	<sup>(4)</sup>
	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.	-	<sup>(4)</sup>

(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 the 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.

In addition, the EU has established an operating framework for the various Member States, which includes, *inter alia*, objectives related to emissions, efficiency and renewable energies.

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.



**a.2. ENDESA 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 Note 21 of the Notes to the 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 (CO<sub>2</sub>) 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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.

#### **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.

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 contribution 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 cubic metres of natural gas were consumed 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.

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 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.

### **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 13.2 to the 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.

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 9,614 million. 31% of gross financial debt before cash flows and fair value hedges accrued interest at a fixed rate, while the remaining 69% was referenced to variable interest. Borrowings at floating interest rates are mainly linked to EURIBOR.

Taking account of cash flow hedges considered effective, 40% of gross financial debt was protected from interest rate risk at 31 December 2020. Taking account of fair value hedges too, this percentage was 40% at 31 December 2020.

Information relating to interest rate risk and an interest rate sensitivity analysis are provided in Note 13.1 to the 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 1,474 million. The undrawn amount on the Company's long-term credit lines provide 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 13.3 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 2. Main Financial Indicators in this Consolidated Management Report.

Apart from this, the conditions in which ENDESA accesses the capital markets or other means of financing, whether within the 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.

#### **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.

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 various 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 13.4 to the 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.

## c) 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.

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.

### 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, the net power installed in renewables was 7,781 MW, of which 7,719 MW correspond to the mainland Electricity System, representing 45% of its net installed capacity.

- 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 km<sup>2</sup> and a population close to 21 million inhabitants. The total energy distributed by ENDESA networks reached 124,658 GWh in 2020.
- Energy Supply: At 31 December 2020, ENDESA had more than 12 million electricity and gas customers.

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 may not be adequate or may 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, S.A., at 31 December 2020 had a workforce of 1,315 employees (see Note 19.1 to the financial statements for the year ended 31 December 2020). 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.



**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).

The information related to Occupational Health and Safety (OHS) of ENDESA is presented in Section 8 of this Management Report and is detailed in the Statement of Non-Financial Information and Sustainability 2020.

Freedom of association of workers is guaranteed in ENDESA and in all contractor companies and suppliers with which it maintains a relationship.

The information related to Social Dialogue is detailed in the Statement of Non-Financial Information and Sustainability 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 11 to the 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.

### **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 11.3 to the 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.

#### **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 11.3 to the Financial Statements for the year ended 31 December 2020.

#### **d.5. 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 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.

Information regarding ENDESA's tax contribution is detailed in the Statement of Non-Financial Information and Sustainability 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 15.10 to the Financial Statements for the year ended 31 December 2020); and
- The significant tax disputes that are likely to generate a contingency (see Note 11.3 to the 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 6.1. Risk Management and General Policy Control of this Management Report), which is the base document of the Tax Compliance Management System implemented by the Company; 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 member of consolidated tax 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 18 to the 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.

### **7. Policy on derivative financial instruments**

Information on derivative financial instruments is provided in Note 14 of the Notes to the Financial Statements of ENDESA S.A., for the year ended 31 December 2020.

### **8. Human resources**

At 31 December 2020, the Company had a total of 1,315 employees (1,332 employees at 31 December 2019).

The Company's average workforce in 2020 was 1,318 employees (1,299 employees in 2019).

By gender, at 31 December 2020, 48.4% of ENDESA's workforce were male, and 51.6% were female.

Information on the workforce is provided in Note 19.1 to the Financial Statements of ENDESA S.A. for the year ended 31 December 2020.

## Occupational Health and Safety (OHS)

ENDESA S.A. considers the occupational health and safety (OHS) of its employees to be a fundamental value and preserves it by developing a strong culture between employees and shareholders. In this regard, it ensures that employees have a healthy and safe workplace environment at all times and in all areas in which they act.

In 2020 and 2019, the main variations in occupational health and safety indicators were as follows:

	Main figures	
	2020	2019
Own frequency index <sup>(1)</sup>	0.00	0.00
Own severity index <sup>(2)</sup>	0.00	0.00
Combined frequency index <sup>(3)</sup>	0.53	0.47
Combined severity index <sup>(4)</sup>	0.00	0.01
Number of accidents <sup>(5)</sup>	2	2

(1) Own frequency index (own personnel) = (Number of accidents / Number of hours worked) x 10<sup>6</sup>.

(2) Own severity index (own personnel) = (Number of days lost / Number of hours worked) x 10<sup>3</sup>.

(3) Combined frequency index (own and subcontracted personnel) = (Number of accidents / Number of hours worked) x 10<sup>6</sup>.

(4) Combined severity index (own and subcontracted personnel) = (Number of days lost / Number of hours worked) x 10<sup>3</sup>.

(5) Of which zero in 2020 and zero in 2019 were serious or fatal accidents.

## 9. Treasury shares

At 31 December 2020 the Company had own shares to cover the long-term variable Remuneration Plan called Strategic Incentive 2020-2022, which includes the delivery of shares as part of the payment of the “Strategic Incentive” (see Note 10.4 to the Financial Statements of ENDESA, S.A. for the year ended December 31, 2020).

## 10. Environmental protection

Information on environmental activities is provided in Note 20 to the financial statements of ENDESA, S.A. for the year ended 31 December 2020.

## 11. Research and development activities.

The Company did not carry out any research and development activities directly as these fall within the remit of its subsidiaries.

## 12. Information on average payment period to suppliers.

Information on the average payment period to suppliers is provided in Note 19.3 to the financial statements of ENDESA S.A. for the year ended 31 December 2020.

## 13. Annual Corporate Governance Report as required by Article 538 of Royal Decree Law 1/2010 of 2 July 2010 approving the Consolidated Text of the Corporate Enterprises Act

The 2020 Annual Corporate Governance Report, as required by Article 538 of Royal Decree Law 1/2010 of 2 July 2010 approving the Consolidated Text of the Corporate Enterprises Act, forms an integral part of this 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&lang=en>

**14. Statement of Non-financial information as required by Law 11/2018 of 28 December 2018 amending the Commercial Code, the Consolidated Text of the Corporate Enterprises Act approved by Royal Decree Law 1/2010 of 2 July 2010 and Law 22/2015 of 20 July 2015 on the auditing of financial statements, on non-financial information and diversity.**

The Statement of Non-financial Information as required by Law 11/2018 of 28 December amending the Commercial Code, 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, on non-financial information and diversity, is included in Appendix IV to the Consolidated Management Report of ENDESA S.A. and Subsidiaries for the year ended 31 December 2020 in the Statement of Non-Financial Information and Sustainability 2020.

This Statement of Non-Financial Information and Sustainability 2020, as part of the Consolidated Financial Statements of ENDESA, S.A. and Subsidiaries, will be filed with the Mercantile Registry of Madrid after its approval by the General Meeting of Shareholders.

23 February 2021



**Formulation Signatures**  
**ENDESA, S.A.**  
**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 Management Report of ENDESA, Sociedad Anónima 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”).

<b>D. Juan Sánchez-Calero Guilarte</b> <b>Chairman</b>	<b>D. Francesco Starace</b> <b>Vice Chairman</b>
<b>D. José Damián Bogas Gálvez</b> <b>Chief Executive Officer</b>	<b>Dña. Eugenia Bieto Caubet</b> <b>Director</b>
<b>D. Antonio Cammisecra</b> <b>Director</b>	<b>D. Alejandro Echevarría Busquet</b> <b>Director</b>
<b>D. Ignacio Garralda Ruiz de Velasco</b> <b>Director</b>	<b>Dña. Pilar González de Frutos</b> <b>Director</b>
<b>Dña. Maria Patrizia Grieco</b> <b>Director</b>	<b>Dña. Alicia Koplowitz y Romero de Juseu</b> <b>Director</b>
<b>D. Francisco de Lacerda</b> <b>Director</b>	<b>D. Alberto de Paoli</b> <b>Director</b>
<b>D. Miquel Roca Junyent</b> <b>Director</b>	

Madrid, 23 February 2021

**Statement of Responsibility**  
**Individual 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.

<b>D. Juan Sánchez-Calero Guilarte</b> Chairman	<b>D. Francesco Starace</b> Vice Chairman
<b>D. José Damián Bogas Gálvez</b> Chief Executive Officer	<b>Dña. Eugenia Bieto Caubet</b> Director
<b>D. Antonio Cammisecra</b> Director	<b>D. Alejandro Echevarría Busquet</b> Director
<b>D. Ignacio Garralda Ruiz de Velasco</b> Director	<b>Dña. Pilar González de Frutos</b> Director
<b>Dña. María Patrizia Grieco</b> Director	<b>Dña. Alicia Koplowitz y Romero de Juseu</b> Director
<b>D. Francisco de Lacerda</b> Director	<b>D. Alberto de Paoli</b> Director
<b>D. Miquel Roca Junyent</b> Director	Madrid, 23 February 2021