ENDESA, S.A.

Individual Annual Financial Report

for the year ended 31 December 2021

Audit Report

ENDESA, S.A.

Financial Statements and Management Report

for the year ended 31 December 2021

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

Auditor's Report on ENDESA, S.A.

(Together with the annual accounts and directors' report of ENDESA, S.A. for the year ended 31 December 2021)

(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

Independent Auditor's 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

We have audited the annual accounts of Endesa, S.A. (the "Company"), which comprise the statements of financial position at 31 December 2021, 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 financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2021, 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

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.

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Key Audit Matters

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.

Impairment of non-current investments in Group companies and associates See notes 4.d.2 and 8.1 to the annual accounts	
Key audit matter	*How the matter was addressed in our audit*
At 31 December 2021 the Company has recognised non-current investments in Group companies and associates amounting to Euros 18,924 million. At each year end, the Company estimates the recoverable amount of investments for which there are indications of impairment. The 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. 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.	• Analysis of the design and implementation of the key controls related to the determination of the recoverable amount. • Analysis of indicators of impairment of non-current investments in Group companies and associates identified by the Company. • Analysis of the consistency of the future cash flows included in the valuation model with the business plans approved by the governing bodies. • Evaluation of the reasonableness of the methodology used to calculate the recoverable amount of investments in Group companies and associates, and the main assumptions considered, with the involvement of our financial valuation specialists. • Evaluation of the sensitivity of the recoverable amount to changes in certain assumptions that can be considered reasonable. • Assessment of whether the disclosures in the annual accounts comply with the requirements of the applicable financial reporting framework.

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

Other Information: Directors' Report

Other information solely comprises the 2021 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.

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 and the Annual Report on Directors' Remuneration, 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 2021, 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

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.

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

Auditor's Responsibilities for the Audit of the Annual Accounts

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 the economic decisions of users taken on the basis of these annual accounts.

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

- Identify and assess the risks of material misstatement of the 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 to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit and compliance committee of the entity, 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital file of Endesa, S.A. for 2021 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 2021 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"). In this regard, they have incorporated the Annual Corporate Governance Report and the Annual Report on Director's Remuneration by means of a reference thereto in the directors' report.

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.

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

Additional Report to the Audit and Compliance Committee

The opinion expressed in this report is consistent with our additional report to the Company's Audit and Compliance Committee dated 21 February 2022.

Contract Period

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

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

(Signed on original in Spanish)

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

21 February 2022

ENDESA, S.A.

Financial Statements for the year ended 31 December 2021

(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.

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2021 AND 2020

Millions of Euros

	Note	31 December 2021	31 December 2020
ASSETS			
NON-CURRENT ASSETS		**19,169**	**19,154**
Intangible assets	5	**104**	**113**
Patents, licences, trademarks and similar		3	4
Software		101	109
Property, plant and equipment	6	**2**	**2**
Plant and other property, plant and equipment		2	2
Non-current investments in Group companies and associates	8 and 18.2	**18,924**	**18,878**
Equity instruments		18,924	18,878
Non-current financial investments	8	**28**	**31**
Equity instruments		3	4
Loans to third parties		6	4
Derivatives	14	7	7
Other financial assets		12	16
Deferred tax assets	15.6	**111**	**130**
CURRENT ASSETS		**654**	**796**
Trade and other receivables		**203**	**236**
Other receivables		35	52
Receivables from Group companies and associates	18.2	168	182
Headcount		-	1
Other receivables from public administrations	15.8	-	1
Current investments in Group companies and associates	8 and 18.2	**70**	**419**
Loans to companies		70	88
Other financial assets		-	331
Current financial investments	8	**2**	**10**
Loans to third parties		2	10
Current prepayments and accrued income		**1**	**1**
Cash and cash equivalents		**378**	**130**
Cash in hand and at banks		378	130
TOTAL ASSETS		**19,823**	**19,950**

The accompanying Notes 1 to 22 to the financial statements are an integral part of the statements of financial position at 31 December 2021 and 2020.

(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 2021 AND 2020

Millions of Euros

	Note	31 December 2021	31 December 2020
EQUITY AND LIABILITIES			
EQUITY		**7,636**	**8,955**
Capital and reserves	10	**7,644**	**8,981**
Capital		**1,271**	**1,271**
Issued capital		1,271	1,271
Share premium		**89**	**89**
Reserves		**1,438**	**1,436**
Legal and by-law reserves		254	254
Other reserves		1,184	1,182
(Shares in own equity instruments)		**(3)**	**(2)**
Previous years' profit or loss		**4,795**	**4,597**
Retained earnings		4,795	4,597
Profit/(loss) for the year		**581**	**2,330**
Interim dividend	3 and 10.5	**(529)**	**(741)**
Other equity instruments		**2**	**1**
Valuation adjustments		**(8)**	**(26)**
Hedging transactions		(8)	(26)
NON-CURRENT LIABILITIES		**8,342**	**8,725**
Non-current provisions	11	**253**	**307**
Non-current employee benefits		51	57
Provisions for workforce restructuring costs		140	185
Other provisions		62	65
Non-current debts	12	**3,238**	**2,081**
Bonds and other marketable securities		18	20
Bank borrowings		3,203	2,023
Finance lease payables		1	1
Derivatives	14	13	34
Other financial liabilities		3	3
Non-current debts to Group companies and associates	12 and 18.2	**4,835**	**6,303**
Debts to Group companies and associates		4,835	6,303
Deferred tax liabilities	15.7	**16**	**34**
CURRENT LIABILITIES		**3,845**	**2,270**
Current provisions	11	**44**	**49**
Provisions for workforce restructuring costs		44	40
Other provisions		-	9
Current debts	12	**3,216**	**1,474**
Bank borrowings		134	83
Finance lease payables		1	1
Derivatives	14	-	1
Other financial liabilities		3,081	1,389
Current debts to Group companies and associates	12 and 18.2	**430**	**604**
Debts to Group companies and associates		48	74
Other financial liabilities		382	530
Trade and other payables		**155**	**143**
Suppliers to Group companies and associates	18.2	33	34
Other payables		96	84
Employee payables		20	19
Other payables to public administrations	15.8	6	6
TOTAL EQUITY AND LIABILITIES		**19,823**	**19,950**

The accompanying Notes 1 to 22 to the financial statements are an integral part of the statements of financial position at 31 December 2021 and 2020.

(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

AT 31 DECEMBER 2021 AND 2020

Millions of Euros

	Note	2021	2020
CONTINUING OPERATIONS			
Revenue	16.1	**1,003**	**2,866**
Provision of services		266	281
Dividend income from Group companies and associates	8.1.1 and 18.1	737	2,585
Self-constructed assets	5	**-**	**2**
Other operating income		**-**	**6**
Ancillary income and other operating income		-	6
Personnel expenses	16.2	**(154)**	**(239)**
Salaries and wages, and similar		(112)	(119)
Other employee benefits		(28)	(38)
Provisions		(14)	(82)
Other operating expenses	16.3	**(165)**	**(189)**
External services		(98)	(105)
Taxes other than income tax		-	(6)
Other current operating expenses		(67)	(78)
Depreciation and amortisation	5 and 6	**(38)**	**(32)**
Provision surpluses	11.3	**6**	**2**
Impairment losses in Group companies and associates	8, 11.3 and 18.1	**-**	**4**
OPERATING INCOME		**652**	**2,420**
Financial income	16.4	**20**	**5**
Marketable securities and other non-current credits		**20**	**5**
Third parties		20	5
Financial expenses	16.4	**(151)**	**(178)**
Interest on debts to Group companies and associates	18.1	(129)	(159)
Interest on debts to third parties		(21)	(15)
Provision adjustments		(1)	(4)
Change in fair value of financial instruments		**(2)**	**-**
Trading portfolio and other		(2)	-
Exchange gains/(losses)		**1**	**1**
Impairment and gains/(losses) on disposal of financial instruments		**1**	**(1)**
Impairment losses	8.2	1	(1)
FINANCIAL PROFIT/LOSS		**(131)**	**(173)**
PROFIT/(LOSS) BEFORE TAX		**521**	**2,247**
Income tax expense	15	**60**	**83**
PROFIT/LOSS AFTER TAX FOR THE YEAR FROM CONTINUING OPERATIONS		**581**	**2,330**
PROFIT AFTER TAX FOR THE YEAR FROM DISCONTINUED OPERATIONS		**-**	**-**
PROFIT/(LOSS) FOR THE YEAR		**581**	**2,330**

The accompanying Notes 1 to 22 to the financial statements are an integral part of the income statements for the for the years ended 31 December 2021 and 2020.

(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 2021 AND 2020

A) STATEMENTS OF RECOGNISED INCOME AND EXPENSES FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

Millions of Euros

	Note	2021	2020
PROFIT/(LOSS) FOR THE PERIOD		**581**	**2,330**
REVENUE AND EXPENSES RECOGNISED DIRECTLY IN EQUITY			
Cash flow hedges	14	16	(24)
Actuarial gains and losses and other adjustments	11.1	2	(7)
Tax effect	15	(4)	8
TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY		**14**	**(23)**
AMOUNTS TRANSFERRED TO INCOME STATEMENT			
Cash flow hedges	14	8	7
Tax effect	15	(2)	(2)
TOTAL AMOUNTS TRANSFERRED TO THE INCOME STATEMENT		**6**	**5**
TOTAL RECOGNISED INCOME/(EXPENSES)		**601**	**2,312**

Notes 1 to 22 to the accompanying financial statements are an integral part of the statements of recognised income and expenses for for the years ended 31 December 2021 and 2020.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2021 AND 2020

B) STATEMENTS OF TOTAL CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2021 AND 2020

Millions of Euros

	Note	31 December 2021								
		Capital and reserves								
		Share capital (Note 10.1)	Share premium (Note 10.2)	Reserves and prior years' profit or loss	(Shares in own equity instruments) (Note 10.4)	Profit/(loss) for the year (Note 3)	(Interim dividend) (Note 3)	Other equity in Equity	Valuation adjustments	Total Equity Net
Balance at 31 December 2020		**1,271**	**89**	**6,033**	**(2)**	**2,330**	**(741)**	**1**	**(26)**	**8,955**
TOTAL RECOGNISED INCOME/(EXPENSE)		**-**	**-**	**2**	**-**	**581**	**-**	**-**	**18**	**601**
Transactions with shareholders		**-**	**-**	**-**	**(1)**	**-**	**(529)**	**-**	**-**	**(530)**
Dividends paid	3 and 10.5	-	-	-	-	-	(529)	-	-	(529)
Transactions with own shares		-	-	-	(1)	-	-	-	-	(1)
Other changes in equity		**-**	**-**	**198**	**-**	**(2,330)**	**741**	**1**	**-**	**(1,390)**
Distribution of profit	3	-	-	198	-	(2,330)	741	-	-	(1,391)
Other changes		-	-	-	-	-	-	1	-	1
Balance at 31 December 2021		**1,271**	**89**	**6,233**	**(3)**	**581**	**(529)**	**2**	**(8)**	**7,636**

Millions of Euros

	Note	31 December 2020								
		Capital and reserves								
		Share capital (Note 10.1)	Share premium (Note 10.2)	Reserves and prior years' profit or loss	(Shares in own equity instruments) (Note 10.4)	Profit/(loss) for the year (Note 3)	(Interim dividend)	Other equity instruments	Valuation adjustments	Total equity
Balance at 31 December 2019		**1,271**	**89**	**5,958**	**-**	**1,642**	**(741)**	**-**	**(13)**	**8,206**
TOTAL RECOGNISED INCOME/(EXPENSE)		**-**	**-**	**(5)**	**-**	**2,330**	**-**	**-**	**(13)**	**2,312**
Transactions with shareholders		**-**	**-**	**-**	**(2)**	**-**	**(741)**	**-**	**-**	**(743)**
Dividends paid	10.5	-	-	-	-	-	(741)	-	-	(741)
Transactions with own shares		-	-	-	(2)	-	-	-	-	(2)
Other changes in equity		**-**	**-**	**80**	**-**	**(1,642)**	**741**	**1**	**-**	**(820)**
Distribution of profit	3	-	-	80	-	(1,642)	741	-	-	(821)
Other changes		-	-	-	-	-	-	1	-	1
Balance at 31 December 2020		**1,271**	**89**	**6,033**	**(2)**	**2,330**	**(741)**	**1**	**(26)**	**8,955**

Notes 1 to 22 to the accompanying financial statements are an integral part of the statements of total changes in equity for the years ended 31 December 2021 and 2020.

(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

AT 31 DECEMBER 2021 AND 2020

Millions of Euros

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		**955**	**2,780**
Profit before tax		**521**	**2,247**
Adjustments for		**(564)**	**(2,301)**
Income from dividends	8.1.1, 16.1 and 18.1	(737)	(2,585)
Depreciation and amortisation	5 and 6	38	32
Impairment losses		(1)	2
Changes in provisions		2	83
Proceeds from derecognitions and sales of financial instruments	8.1 and 18.1	-	(4)
Financial income	16.4	(20)	(5)
Financial expenses	16.4	151	178
Exchange gains/(losses)		-	(1)
Change in fair value of financial instruments		2	-
Other adjustments (net)		1	(1)
Changes in working capital		**44**	**(112)**
Other cash flows from operating activities:		**954**	**2,946**
Interest paid		(157)	(181)
Dividends received		1,069	3,056
Interest received		15	4
Income tax received/(paid)		75	112
Other proceeds from/(payments) for operating activities		(48)	(45)
CASH FLOWS FROM INVESTING ACTIVITIES		**(73)**	**(22)**
Payments for investments		**(81)**	**(52)**
Group companies and associates		(49)	(16)
Property, plant and equipment and intangible assets		(27)	(33)
Other financial assets		(5)	(3)
Proceeds from sale of investments		**8**	**30**
Group companies and associates		-	22
Other financial assets		8	8
CASH FLOWS FROM FINANCING ACTIVITIES		**(634)**	**(2,659)**
Proceeds from/(payments) for equity instruments		**(2)**	**(2)**
Acquisitions of equity instruments		(2)	(2)
Proceeds from (payments for) financial liability instruments		**1,500**	**(1,095)**
Issue		3,156	721
Redemption and repayment		(1,656)	(1,816)
Dividends and interest on other equity instruments paid		**(2,132)**	**(1,562)**
Dividends		(2,132)	(1,562)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**248**	**99**
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**130**	**31**
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**378**	**130**

Notes 1 to 22 to the accompanying financial statements are an integral part of the statements of cash flows for the years ended 31 December 2021 and 2020.

(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 2021

Contents

ENDESA, S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2021

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 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 2021 were drawn up by the Company's Board of Directors on 21 February 2022 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 2020 were authorised for issue by the Board of Directors on 23 February 2021 and were approved by the General Shareholders' Meeting on 30 April 2021 and filed at the Madrid Mercantile Registry.

The Company holds interests in Group companies, jointly controlled entities 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 in Spain, consolidated financial statements must be prepared to present truly and fairly the financial position of the Group, the results of operations and changes in its equity and cash flows. Details of investments in Group companies, jointly controlled entities and associates are included in Note 8.1.1.

On 21 February 2022, the directors authorised for issue the consolidated financial statements of ENDESA, S.A. and Subsidiaries for the year ended 31 December 2021, in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU). The consolidated financial statements of ENDESA, S.A. and Subsidiaries for the year ended 31 December 2020 were prepared by the Board of Directors on 23 February 2021, and they were approved by the General Shareholders' Meeting on 30 April 2021, and are filed at the Madrid Mercantile Registry.

The key figures from the consolidated financial statements of ENDESA, S.A. and Subsidiaries for 2021 and 2020 were as follows:

Millions of Euros

	31 December 2021	31 December 2020
Total assets	**39,968**	**32,062**
Equity	**5,544**	**7,465**
Of the Parent	5,380	7,315
Of non-controlling interests	164	150
Revenue	**20,899**	**17,050**
Profit after tax for the period from continuing operations	**1,457**	**1,400**
Profit after tax for the period from discontinued operations	**-**	**-**
Profit/(loss) for the year	**1,457**	**1,400**
Of the Parent	1,435	1,394
Of non-controlling interests	22	6

At 31 December 2021 and 2020, the ENEL Group controlled 70.1% of ENDESA, S.A. through ENEL Iberia, S.L.U., thereby granting it control of the company (see Note 10.1).

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

The financial statements of ENEL Iberia, S.L.U. for the year ended 31 December 2020, prepared on 18 March 2021 and approved by the sole shareholder on 19 May 2021, are filed with the Madrid Mercantile Registry.

The consolidated financial statements of ENEL, S.p.A. and Subsidiaries for the year ended 31 December 2020, ultimate Parent of ENDESA, S.A., were approved by the General Shareholders' Meeting held on 20 May 2021 and are filed at the Rome and Madrid Mercantile Registries.

2. Basis of presentation of the financial statements

2.1. True and fair presentation

The financial statements for the year ended 31 December 2021 are presented in accordance with Law 16/2007 of 4 July, 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, and the amendments thereto established by Royal Decree 1159/2010, of 17 September, Royal Decree 602/2016 of 2 December and by Royal Decree 1/2021, of 12 January.

The financial statements present fairly the equity and financial position of the Company at 31 December 2021 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 policies

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

The accounting policies and standards were amended under Royal Decree 1/2021, of 12 January, on valuation criteria (fair value), the classification and measurement of financial instruments, hedge accounting and the recognition of income (see Notes 4d, 4j and 4k).

2.3. Responsibility for information and estimates.

The Company's directors are responsible for the information included in the financial statements.

In preparing the financial statements, the Company's directors made 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, jointly controlled entities and associates to determine any impairment losses (see Notes 4d and 8.1.1).
- Assumptions used in the actuarial calculation of liabilities and provisions to employees and the leaving dates and conditions of employees involved in collective redundancy procedures and agreements to suspend contracts (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 4k, 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 authorisation 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 Social Bonus.
- 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 authorisation for issue of these financial statements regarding the facts 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 2021, the Company had negative working capital of Euro 3,191 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 lines of credit (see Note 13.3), provide assurance that the Company can obtain sufficient financial resources to continue to operate, realise its assets and settle its liabilities for the amounts shown in the accompanying statement of financial position.

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

2.5. Functional currency and presentation currency

The financial statements at 31 December 2021 are presented in millions of euros. The Company's functional and presentation currency is the euro.

2.6. Comparative information.

For comparison purposes, the financial statements present, aside from the figures in 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 2021, the figures for the previous year that formed part of the financial statements for the year ended 31 December 2020, which were approved by the General Shareholders' Meeting on 30 April 2021.

As a result of the first-time application of the changes introduced by Royal Decree 1/2021, of 12 January, a reconciliation of non-current and current financial assets and liabilities, by nature and category, is shown below, in accordance with the new categories established by Recognition and Measurement Standard 9 "Financial Instruments" from 1 January 2021:

Millions of Euros

Type of Financial Instruments	Previous standard		New standard	
	Measurement category	Balance at 1 January 2021	Measurement category	Balance at 1 January 2021
Non-current investments in Group companies and associates		**18,878**		**18,878**
Equity instruments	Investments in equity instruments of Group companies, jointly controlled entities and associates	18,878	Financial assets at cost	18,878
Non-current financial investments		**31**		**31**
Equity instruments	Available-for-sale financial assets	4	Financial assets at cost	4
Loans to third parties	Loans and receivables	4	Financial assets at amortised cost	4
Derivatives	Hedging derivatives	7	Hedging derivatives	7
Other financial assets	Loans and receivables	16	Financial assets at amortised cost	16
Total non-current financial assets		**18,909**		**18,909**
Current investments in Group companies and associates		**419**		**419**
Loans to companies	Loans and receivables	88	Financial assets at amortised cost	88
Other financial assets	Loans and receivables	331	Financial assets at amortised cost	331
Current financial investments		**10**		**10**
Loans to third parties	Loans and receivables	10	Financial assets at amortised cost	10
Trade and other receivables	**Loans and receivables**	**235**	**Financial assets at amortised cost**	**235**
Cash and cash equivalents	**Loans and receivables**	**130**	**Financial assets at amortised cost**	**130**
Total current financial assets		**794**		**794**
TOTAL		**19,703**		**19,703**

Millions of Euros

Type of Financial Instruments	Previous standard		New standard	
	Measurement category	Balance at 1 January 2021	Measurement category	Balance at 1 January 2021
Non-current debts		**2,081**		**2,081**
Bonds and other marketable securities (1)	Other financial liabilities at fair value through profit or loss/Hedging derivatives	20	Financial liabilities at fair value through profit or loss/Hedging derivatives	20
Bank borrowings	Debts and payables	2,023	Financial liabilities at amortised cost	2,023
Finance lease payables	Debts and payables	1	Financial liabilities at amortised cost	1
Derivatives	Hedging derivatives	34	Hedging derivatives	34
Other financial liabilities	Debts and payables	3	Financial liabilities at amortised cost	3
Non-current debts to Group companies and associates		**6,303**		**6,303**
Debts to Group companies and associates	Debts and payables	6,303	Financial liabilities at amortised cost	6,303
Total non-current financial liabilities		**8,384**		**8,384**
Current debts		**1,474**		**1,474**
Bank borrowings	Debts and payables	83	Financial liabilities at amortised cost	83
Finance lease payables	Debts and payables	1	Financial liabilities at amortised cost	1
Derivatives	Hedging derivatives	1	Hedging derivatives	1
Other financial liabilities	Debts and payables	1,389	Financial liabilities at amortised cost	1,389
Current debts to Group companies and associates		**604**		**604**
Debts to Group companies and associates	Debts and payables	74	Financial liabilities at amortised cost	74
Other financial liabilities	Debts and payables	530	Financial liabilities at amortised cost	530
Trade and other payables	**Debts and payables**	**137**	**Financial liabilities at amortised cost**	**137**
Total current financial liabilities		**2,215**		**2,215**
TOTAL		**10,599**		**10,599**

(1) It corresponds to the issuance of bonds amounting to Euro 12 million which, on underlying a fair value hedging transaction, also include the measurement at fair value through profit or loss, amounting to Euro 8 million.

The Company has applied the classification and measurement criteria established in Royal Decree 1/2021, of 12 January, retroactively from 1 January 2021, in relation to the changes introduced in the Recognition and Measurement Standard 9 "Financial instruments", without restating the comparative figures. No significant impacts have been identified given that most of the financial assets and liabilities maintain an identical classification and measurement under the new standard.

In relation to accounting hedges, at 1 January 2021, the Company opted to adapt its hedge accounting to the new rules established in Royal Decree 1/2021, of 12 January, without restating the comparative figures and without this having any significant impact.

Likewise, the amendments regarding the recognition and measurement of revenue for the delivery of goods and the provision of services approved by Royal Decree 1/2021, of 12 January, and by the Resolution of 10 February 2021, of the Spanish Accounting and Audit Institute, did not have an impact at the date of first application, hence it was not necessary to restate the comparative information.

2.7. Grouping of items

Certain items on the statement of financial position, income statement, statement of changes in equity and statement of cash flows are presented in groups for easier understanding, though significant data are broken down in the notes to the financial statements.

3. Distribution of profit

Proposed distribution of profit for 2021.

The distribution of profit for 2021, prepared by the Company's Board of Directors, to be submitted to the General Shareholders' Meeting for approval, is as follows:

Basis of distribution for 2021	**Euros**
Profit and loss: Profit	581,311,022.93
Retained earnings	4,795,389,430.94
Total	**5,376,700,453.87**
Distribution	
Dividends (1)	1,521,638,542.55
To retained earnings	3,855,061,911.32
Total	**5,376,700,453.87**

(1) Maximum amount to be distributed based on Euro 1.4372 gross per share for all shares (1,058,752,117 shares).

At its meeting held on 24 November 2021, ENDESA S.A.'s Board of Directors agreed to pay its shareholders a gross interim dividend against 2021 profit of Euro 0.5 per share, which gave rise to a pay-out of Euro 529 million on 3 January 2022 (see Note 10.5). This interim dividend was deducted from the parent's equity at 31 December, 2021.

Pursuant to article 277 of Royal Decree Law 1/2010, of 2 July 2010, approving the consolidated text of the Spanish Corporate Enterprises Act, the provisional liquidity statement of ENDESA, S.A., showing that the Company has sufficient liquidity to distribute this dividend, is as follows:

Millions of Euros	From 1 November 2021 to 31 October 2022
Available at start of period	**4,112**
Cash in hand and at banks and cash equivalents	80
Undrawn loans with Group companies	4,032
Increases in cash	**4,938**
Ordinary activities	1,037
Financial transactions	3,901
Decreases in cash	**(6,033)**
Ordinary activities	(1,018)
Financial transactions	(5,015)
Available at end of period	**3,017**
Proposed interim dividend on 2021 results	**529**

This amount does not exceed the earnings obtained by the Company in 2021, having deducted prior years' losses and the amount to be allocated to the obligatory reserves specified by law or in the Bylaws, as well as the estimate of the tax to be paid on these earnings.

Distribution of 2020 profit.

The distribution of 2020 profit approved by the General Shareholders' Meeting was as follows:

Basis of distribution for 2020	Euros
Profit and loss: Profit	2,329,719,088.02
Total	**2,329,719,088.02**
Distribution	
Dividends (1)	2,131,903,262.79
To retained earnings	197,815,825.23
Total	**2,329,719,088.02**

(1) Maximum amount to be distributed based on Euro 2,0136 gross per share for all shares (1,058,752,117 shares).

4. Recognition and measurement criteria

The main recognition and measurement criteria used in preparing the accompanying financial statements, in accordance with the Spanish General Chart of Accounts, were as follows:

a) Intangible assets.

Intangible assets are initially recognised at cost of acquisition or production, following the same principles for determining the production cost of inventories.

They are subsequently carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

The residual value, useful life and amortisation method of intangible assets are reviewed at each year end. Any changes in initially established criteria are recognised as changes in estimates.

b) Property, plant and equipment.

Property, plant and equipment is stated at cost of acquisition or production, using the same general criteria to calculate the production cost of inventories. Property, plant and equipment is subsequently carried at cost net of any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment, less residual value where appropriate, are depreciated on a straight-line basis over their estimated useful lives, which are the periods of expected use.

Useful lives, residual value and depreciation methods are reviewed at least at the closing date of each year and adjusted prospectively, as appropriate.

The useful life of assets for the purposes of calculating depreciation in 2021 and 2020 was as follows:

Property, plant and equipment	Years of estimated useful life	
	2021	2020
Furniture	10	10
Other property, plant and equipment	5-14	5-14

Costs of expansion, improvements that increase production capacity, improvements that substantially increase productivity or lengthen the estimated useful life of the asset are recognised as increases in the value of the asset.

Renewals may be capitalised if they meet the conditions to be recognised as an asset, i.e., they arise as a result of past events, from which the Company expects to obtain economic benefits or returns in the future.

Regular maintenance, upkeep and repair expenses are recognised in the income statement and are expensed when incurred.

c) Leases

Leases that transfer substantially all the risks and rewards incidental to ownership of the leased item 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. The Company recognises an asset according to its nature and a liability for the same amount, 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 allocated to income 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 the other similar depreciable assets if there is reasonable certainty that the lessee will acquire title to the asset at the end of the lease term. If no such certainty exists, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Costs and income deriving from operating leases are taken to profit and loss when incurred.

Any collections or payments made on inception of an operating lease are treated as an advance collection or payment and recognised over the lease term as the benefits of the leased asset are transferred or received.

d) Financial instruments.

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

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, financial liability or equity instrument.

A financial asset and a financial liability will only be offset when the Company has a legally enforceable right to offset the recognised amounts and it has the intention to pay the net amount or to simultaneously realise the asset and settle the liability.

d.1. Financial assets except hedging derivatives.

1. Classification and valuation of financial assets.

For the purposes of measurement, the Company classifies its financial assets under the following categories:

- Financial assets at fair value through profit or loss: This category includes financial assets that cannot be classified under any of the other defined categories. It must include financial assets held for trading.

  A financial asset is considered to be held for trading when:

  - it originates or is acquired for the purpose of selling it in the near term.

  - on initial recognition it forms part of a portfolio of financial instruments that are identified and managed jointly, for which there is evidence of recent initiatives to obtain profits in the short term, or

  - It is a derivative financial instrument, that is not a financial guarantee contract or a designated hedging instrument.

  This category also includes financial assets that are recognised at fair value through profit or loss on initial recognition, provided that they eliminate or significantly reduce valuation inconsistencies and accounting mismatches.

  The financial assets included in this category are initially measured at fair value, which, unless there is evidence to the contrary, shall be the transaction price, which shall be the fair value of the consideration given. Directly-attributable transaction costs shall be recognised in the income statement for the year.

  After initial recognition, the Company shall measure the financial assets in this category at fair value through profit or loss.

- Financial assets at amortised cost: financial assets are recorded at amortised cost if they are held by the company with the objective of receiving contractual cash flows and the contractual conditions of the financial assets give rise, on specified dates, to cash flows that are only collections of principal and interests on the outstanding principal amount.

  In general, this category includes trade and non-trade receivables:

  - Trade receivables: financial assets incurred on the sale of goods and the provision of services in the course of the company's business, with deferred payment, and

  - Non-trade receivables: are financial assets that are neither equity instruments nor derivatives, not arising on trade transactions, with fixed or determinable payments, and derive from loans or credits granted by the company.

The financial assets included in this category are initially measured at fair value, which, unless there is evidence to the contrary, shall be the transaction price, which shall be the fair value of the consideration given plus the directly attributable transaction costs. However, trade receivables which have no explicit contractual interest rate and are recoverable in the short term, and advances and loans to personnel, dividends receivable and capital calls on equity instruments, which are expected to be settled in the short term, may be measured at their nominal amount, when the effect of discounting is immaterial.

Financial assets in this category are measured at amortised cost. Interest accrued is recognised in the income statement applying the effective interest method. Nevertheless, trade receivables which mature within less than one year which, in accordance with the provisions of the paragraph above, are measured initially at nominal value, shall continue to be measured at that amount unless there is any impairment.

At least at the end of the reporting period, the company shall recognise any necessary valuation allowances when there is objective evidence that the value of a financial asset, or group of financial assets with similar risk exposure measured together, is impaired as a result of one or more events occurring after initial recognition and leading to a reduction or delay in estimated future cash flows, which could be due to debtor insolvency.

The amount of the impairment loss on these financial assets shall be measured as the difference between the carrying amount and the present value of estimated future cash flows, including where applicable those deriving from the execution of secured loans or personal guarantees, discounted at the effective interest rate calculated upon initial recognition. For financial assets carrying floating interest rates, the effective interest rate used is that prevailing at the reporting date as per the instrument's contractual terms.

Impairment losses and, where applicable, their reversal, when the loss is reduced due to a subsequent event, are recognised as an expense or income, respectively, in the income statement. The loss can only be reversed up to the limit of the carrying amount of the asset that would have been recorded at the reversal date had the impairment loss not been recognised.

However, the market value of the instrument may be used instead of the present value of estimated future cash flows, provided that this is sufficiently reliable to be considered representative of the value recoverable by the company.

Interest on impaired financial assets shall be recognised following the general rules, although the company may also assess whether this amount is recoverable, and if so, account for the corresponding impairment loss.

- Financial assets measured at fair value with changes in equity: this category includes financial assets with contractual conditions that give rise, on specified dates, to cash flows that are only collections of principal and interest on the outstanding principal amount, which are not held for trading and may not be classified as financial assets at amortised cost. This category also includes investments in equity instruments that are not held for trading, and should not be measured at cost, for which the irrevocable option has been exercised on initial recognition to recognise subsequent changes in fair value directly in equity.

  The financial assets included in this category are initially measured at fair value, which, unless there is evidence to the contrary, shall be the transaction price, which shall be the fair value of the consideration given plus the directly attributable transaction costs.

  Subsequently, the financial assets included in this category will be measured at fair value, without deducting any transaction costs that may arise from their disposal. Any changes in fair value shall be recognised directly in equity, until the financial asset is derecognised from the balance sheet or becomes impaired, when the amount recognised shall be taken to profit or loss.

The interest, calculated using the effective interest method, and dividends accrued shall also be recognised in the income statement. When a value must be assigned to these assets due to derecognition from the balance sheet or any other reason, the weighted average cost method shall be used.

At least at the end of the reporting period, the company shall recognise any necessary valuation allowances when there is objective evidence that the value of a financial asset, or group of financial assets included in this category with similar risk exposure measured together, is impaired as a result of one or more events occurring after initial recognition.

- In the case of acquired debt instruments, a reduction or delay in the estimated future cash flows, which could be due to debtor insolvency.

- In the case of investments in equity instruments, failure to recover the carrying amount of investments, for example due to a significant or prolonged decline in their fair value. The instrument shall be considered impaired after a decline of a year and a half and of forty percent of its quoted price with no recovery in value. However, it may be necessary to recognise an impairment loss before this period has elapsed or before the quoted price has dropped by the aforementioned percentages.

  The impairment for these financial assets shall be measured as the difference between the cost or amortised cost, less any impairment previously recognised in the income statement, and the fair value at the measurement date.

  Where there is objective evidence that the asset is impaired, accumulated losses recognised in equity for a decrease in fair value shall be recorded in the income statement.

  Were fair value to increase in subsequent years, the previously recognised impairment loss would be reversed in the income statement for that year. However, where the fair value of an equity instrument increases, the impairment recognised in prior periods shall not be reversed with a credit to the income statement; rather, the increase in fair value shall be accounted for directly in equity.

– Financial assets at cost: this measurement category includes equity investments in Group companies, jointly controlled entities and associates, and any other financial asset initially classified in the fair value portfolio through profit or loss when a reliable estimate of its fair value cannot be obtained.

  Investments in this category shall initially be measured at cost, which shall be the fair value of the consideration given plus any directly attributable transaction costs. The criterion described in section 2 of the standard on transactions between Group companies and the criteria for determining the cost of the combination set out in the standard on business combinations shall be applied to Group companies, where applicable. However, in the case of investments existing prior to classification as a Group company, jointly controlled entity or associate, the cost of the investment shall be the carrying amount immediately before classification by the company.

  Subsequently, equity instruments included in this category are measured at cost net, where appropriate, of any accumulated impairment losses.

At least at the end of the reporting period, the necessary valuation allowances must be made when there is objective evidence that the carrying amount of an investment will not be recovered. The impairment loss shall be measured as the difference between the carrying amount and the recoverable amount. The 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 in the case of equity instruments as either those from dividends expected to be received from the investee and the disposal or derecognition of the investment, or from the share in the cash flows expected to be generated by the investee in the ordinary course of business and from disposal or derecognition. When estimating impairment of these types of assets, the investee's equity shall be taken into consideration, corrected for any unrealised gains existing at the measurement date, net of taxes, unless better evidence of the recoverable amount of the equity instrument is available. Where the investee in turn holds an interest in another company, its equity shall be measured taking into account equity disclosed in the consolidated financial statements prepared using the criteria contained in the Code of Commerce and its implementing standards.

Impairment and reversals of impairment are recognised as income or expense, respectively, in profit or loss. The loss can only be reversed up to the limit of the carrying amount of the investment that would have been recognised at the reversal date had the impairment loss not been recognised. However, when an investment was made in a Group company, jointly controlled entity or associate before it was classified as such, and valuation adjustments for the investment were recognised directly in equity prior to this classification, these adjustments shall be maintained after classification, either until disposal or derecognition of the investment, at which point they shall be recognised in the income statement, or until the following circumstances occur:

- Where prior valuation adjustments have been made for an increase in value, impairment losses shall be recognised in the equity line item that reflects prior valuation adjustments, up to the value of those adjustments, and any excess shall be recognised in the income statement. Impairment losses recognised directly in equity shall not be reversed.

- Where prior valuation adjustments have been made for a decrease in value and the recoverable amount will subsequently exceed the carrying amount of the investment, the latter shall be increased up to the limit of the reduction in value, and recognised in the line item that reflected the prior valuation adjustments. The resulting amount shall be considered as the cost of the investment. However, when there is objective evidence that the investment is impaired, losses accumulated directly in equity shall be recognised in the income statement.

2. Investments in equity instruments of Group companies, jointly controlled entities and associates

Group companies are those over which the Company exercises direct or indirect control. Associates are those over which the Company has a significant influence (considered to be ownership of at least 20% of another company's voting stock). Jointly controlled entities include companies run jointly by agreement with one or more partners.

To test the investment in ENDESA, S.A. for impairment, the Company 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 according to industry projections, past experience and future expectations.

These projections cover the next three years and future cash flows, applying reasonable growth rates based on assumptions regarding average long-term growth and forecast inflation rates for the sector and geographical area.

The discount rate before tax and growth rate applied in 2021 and 2020 were as follows:

%	2021	2020
Discount rate	3.2 - 6.4	2.9 – 5.6
Growth rate	1.6	1.8

Values were allocated to the key assumptions based on:

- Trend in 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 may be amended by the introduction of new laws, by amendments to existing laws in such a way that forecasts contemplate proper application of current regulations, and any other laws now in process that may come into force during the projected period.

- Average rainfall: forecasts are drawn up on the basis of an average rainfall year, taking account of historical rainfall series. However, the actual rainfall of the preceding year was used for the first year of the projection, 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. The generation activity takes into account the investment required to maintain installed capacity in proper operating conditions; distribution activity considers investment in grid maintenance, improvement and enhancement and the investment required to implement the remote metering plan, and supply activity takes into account the investment required to perform activities involving 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 oil, gas, coal), 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 or coal prices based on forward markets and estimates available from analysts.

- Fixed costs 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, an impairment test was performed on the value of the ownership interests held by ENDESA, S.A., recognising an impairment loss allowance for its investment in ENDESA Capital, S.A.U. in 2021, amounting to Euro 1 million (Euro 1 million for the impairment of its investment in ENDESA Generación II, S.A.U. in 2020) (see Note 8.1.1).

3. Interest and dividends received from financial assets

Interest and dividends from financial assets accrued after the acquisition date are recognised as income in the income statement.

To this end, on initial measurement of the financial assets, accrued explicit interest pending maturity at that time and dividends authorised by the competent office prior to the acquisition are recognised separately according to their maturity. Explicit interest is that obtained on applying the contractual interest rate of the financial instrument.

Furthermore, distributed dividends are not recognised as income when they are clearly derived from profits generated prior to the acquisition date because amounts higher than the profits generated by the investee (or any Group company in which the latter has an ownership interest) have been distributed since the acquisition and, instead, they are recognised as a reduction in the carrying amount of the investment.

The analysis of whether profits have been generated by the investee will be exclusively performed on the profits recognised in the individual income statement from the acquisition data, unless the distribution with a charge to this profit must be categorically classified as a recovery of the investment from the perspective of the company that receives the dividend.

Interest income is recognised using the effective interest method and dividend income is recognised when the right to receive the payment is established.

4. 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 not substantially transferred or 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 fair value of the asset transferred, i.e., for its continuing involvement, recognising the associated liability.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received, net of transaction costs, including any new asset obtained less any new liability assumed and any cumulative gain or loss deferred in recognised income and expense, is recorded as equity.

d.2. Non-derivative financial liabilities

1. Classification and measurement of financial liabilities.

For the purposes of measurement, the Company classifies its financial liabilities under the following categories:

- Financial liabilities at amortised cost: the company classifies financial liabilities in this category unless they must be measured at fair value through profit or loss or they are one of the exceptions to the rule.

  In general, this category includes trade and non-trade payables:

  - Trade payables: financial liabilities arising on the purchase of goods and services in the course of the company's trade operations, and

  - Non-trade payables: financial liabilities that are not derivatives and do not arise on trade transactions, but derive from loans or credits received by the company.

  Participating loans with the characteristics of an ordinary loan are also included in this category.

  The financial liabilities included in this category are initially measured at fair value, which, unless there is evidence to the contrary, shall be the transaction price, which shall be the fair value of the consideration received adjusted for any directly attributable transaction costs.

  However, trade payables maturing within one year that have no contractual interest rate, and capital called up by third parties, which is expected to be paid in the short term, may be measured at their nominal amount, when the effect of discounting the cash flows is immaterial.

  Financial liabilities in this category are subsequently measured at amortised cost. Interest accrued is recognised in the income statement applying the effective interest method. Nevertheless, trade payables which mature within less than one year which, in accordance with the provisions of the paragraph above, are measured initially at nominal value, shall continue to be measured at that amount.

- Financial liabilities at fair value through profit or loss: the Company classifies financial liabilities that meet one of the following conditions under this category:

  - They are liabilities that are held for trading. A financial liability is considered to be held for trading when:

    - it is issued or assumed principally for the purpose of repurchasing it in the near term.

    - it is an obligation to deliver financial assets borrowed by a short seller,

    - on initial recognition it forms part of a portfolio of financial instruments that are identified and managed jointly, for which there is evidence of recent initiatives to obtain profits in the short term, or

    - It is a derivative financial instrument, that is not a financial guarantee contract or a designated hedging instrument.

  - It has been designated by the company on initial recognition as a financial liability at fair value through profit or loss. Liabilities may only be designated at fair value through profit or loss where this results in more relevant information due to the following:

    - It eliminates or significantly reduces measurement or recognition inconsistency (accounting mismatches) with other instruments at fair value through profit or loss; or

– A group of financial liabilities, or financial assets and financial liabilities, is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to the company's key management personnel.

- Optionally, and irrevocably, hybrid financial liabilities may also be included in this category in their entirety.

The financial liabilities included in this category are initially measured at fair value, which, unless there is evidence to the contrary, shall be the transaction price, which shall be the fair value of the consideration received. Directly-attributable transaction costs shall be recognised in the income statement for the year.

After initial recognition, the company shall measure the financial liabilities in this category at fair value through profit or loss.

The Company has confirming transaction arrangements with a number of financial entities. The Company applies the criteria set forth in Note 4d.2.2 regarding whether it should derecognise the original liabilities with trade payables and recognise a new liability with financial entities. Trade payables whose payment is managed by financial entities are recognised under "Trade and other payables" in the statement of financial position to the degree that the Company has only granted the management of payment to financial entities, remaining as the primary principal regarding the payment of debts with respect to the trade creditors.

At 31 December 2021, the amount of commercial debt discounted with financing entities to manage payments to suppliers (confirming), recognised under "Trade and other payables" in the statement of financial position totalled Euro 1 million (31 December 2020: Euro 1 million). In 2021 and 2020, a portion of these confirming facilities included sustainability criteria.

In 2021 and 2020, the financial income accrued on confirming contracts was less than Euro 1 million, respectively.

2. Derecognition of financial liabilities

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

d.3. Derivatives and hedge accounting

Accounting hedges.

The derivatives held by the Company relate mainly to transactions arranged to hedge interest rate and foreign currency risk, 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 debts where the value is negative. Derivatives arranged with Group companies have been recognised as current or non-current investments in Group companies and associates where the value is positive and as current or non-current debts where the value is negative.

Any gains or losses arising from changes in fair value are recognised in the consolidated income statement as financial profit or loss, except where the derivative has been designated as a hedging instrument and the requirements for hedge accounting have been met; for example, the hedge must be highly effective. In this case, recognition depends on the type of hedge as follows.

- Fair value hedges: the portion of the underlying for which the risk is hedged and the hedging instrument are measured at fair value through profit or loss as financial income or expense.

- Cash flow hedges: the changes in fair value of the derivatives are recognised, in the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge, net of the related tax effect, under "Equity - Valuation adjustments - Hedging transactions". The cumulative gain or loss is recognised in the income statement as the underlying hedged item affects profit or loss. The ineffective portion of the gain or loss on the hedges is recognised directly in the income statement as financial income or expense.

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

ENDESA, S.A., at inception and over the term of the hedge, assesses whether hedging relationship meets effectiveness requirements prospectively. The Company also assesses effectiveness at every reporting date or when there are significant changes that affect effectiveness requirements.

The Company carries out a qualitative assessment of effectiveness when the essential terms of the instrument and the hedged item match. When the essential terms do not match, ENDESA, S.A. uses a hypothetical derivative with vital terms that match the terms of the hedged item to assess and measure ineffectiveness.

ENDESA, S.A. will discontinue hedge accounting prospectively only when the hedging relationship (or a part of it) no longer meets the required criteria, having factored in any rebalancing of the hedging relationship; for example, when the hedging instrument expires or is sold, resolved or exercised. However, the hedge continues to be recognised and measured in cases where the Company revokes the hedge designation if the remaining requirements are still met.

When hedge accounting is discontinued in a cash flow hedge, the amounts accumulated in equity are not recognised in the income statement until the future cash flows on the hedged item materialise. In contrast, the amounts accumulated in equity are recognised in the income statement when future cash flows on the hedge item are no longer expected.

ENDESA, S.A. assesses whether embedded derivatives are present in contracts and financial instruments. Financial instruments that combine a non-derivative host contract and a financial derivative (embedded derivative) are known as hybrid financial instruments. When the host contract is a financial asset of the Company it must be measured as a whole in accordance with the general criteria for the recognition and measurement of financial assets. If the host contract is not a financial asset, the Company accounts for the embedded derivative and the host contract separately, if, and only if:

- The economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.

- A different financial instrument with the same terms as those of the embedded derivative would meet the definition of an embedded derivative; and

- The entire hybrid contract is not measured at fair value through profit or loss:

The embedded derivative is accounted for in the same way as the host contract in accordance with the corresponding recognition and measurement standards. If the requirements stated above are not met for the separate recognition and measurement of the embedded derivative and host contract, the Company will apply the general recognition and measurement standards to the hybrid contract as a whole.

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

- For derivatives quoted on an organised market, their quoted value at year-end.

- In the case of derivatives not quoted on an organised market, ENDESA, S.A. carries out valuations using internal tools and calculates the fair value of financial derivatives in due consideration of observable market variables, by estimating discounted future cash flows using zero-coupon yield curves for each currency on the last working day of each close, translated to euros at the exchange rate prevailing on the last working day of each close. When the gross market value has been obtained, a “Debt Valuation Adjustment (DVA)” is made in respect of credit risk, or a “Credit Valuation Adjustment (CVA)” in respect of counterparty risk. The measurement of CVA/DVA is based on potential future exposure of the instrument (creditor or debtor position) and the risk profile of the counterparties and of ENDESA, S.A.'s own risk profile.

The Company has entered into commodities forward sale and purchase contracts, mainly for liquefied natural gas. In general, these contracts are measured in the statement of financial position at fair value at the reporting date, with differences recognised on the income statement, except for supply contracts that are fully transferred under the same terms and conferring the same rights and obligations to other Endesa Group companies in which the Company has acted as the contracting party, solely for reasons associated with the Group's organisation or in order to boost efficiency when entering into or handling these contracts.

d.4. Equity instruments.

Own shares acquired by the Company in the year are recognised at the value of the consideration delivered in exchange, directly as a reduction of Equity under “Shares and investments in equity”.

The results arising from the purchase and sale of equity instruments are recognised directly in equity, and no results are recognised in the income statement under any circumstances.

Expenses arising from a transaction involving equity instruments, which was discontinued or abandoned, shall be recognised in the income statement.

d.5 Financial guarantee contracts

Financial guarantee contracts, which are the guarantee deposits extended to third parties by the Company, are initially recognised at fair value. Except where there is evidence to the contrary, fair value 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 according to the accounting principles for provisions in Note 4f.

- The amount of the initially recognised asset, less the portion taken to the income statement on an accruals basis.

When the Company receives the guarantee (secured company), it will recognise the cost of the guarantee in the income statement as an operating expense. However, when the guarantee is directly related with a financial transaction, the payment arising from the guarantee will be included in the calculation of the effective interest rate.

d.6. Guarantees extended and received

In guarantees extended and received for operating leases or to render services, the difference between the fair value and the amount disbursed is recognised as a prepayment or as revenue received in advance, and is recognised in the income statement over the period during which the service is rendered or the lease period lasts.

e) Cash and cash equivalents.

Cash and cash equivalents include cash in hand and demand deposits in financial institutions. They also include other current, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. An investment normally qualifies as a cash equivalent when it matures at less than 3 months from the date of acquisition.

f) Provisions and contingencies.

Liabilities existing at the statement of financial position date that arise as a result of past events that could have a negative impact on the Company's equity, whose amount and settlement date are uncertain, are recognised as provisions in the statement of financial position at the present value of the most probable amount considered to be needed by the Company to settle the liability.

Provisions are made based on the best information available at the reporting date on the most likely outcome 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 rather are 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 the income statement. Current provisions, the financial effect of which is immaterial, are not discounted.

If it is no longer probable that an outflow of resources embodying economic 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 obligations on an accrual basis over the working life of the employees by performing actuarial studies at the reporting date, calculated using the projected unit credit method. The past service costs relating to changes in benefits are recognised immediately with a charge to the income statement as the benefits vest insofar as the rights are irrevocable.

Defined benefit plan provisions represent the present value of the accrued benefits, after deducting the fair value of the qualifying plan assets and any unrecognised past service cost. The actuarial losses and gains arising on the measurement of plan liabilities and assets are recognised directly under "Equity": Other reserves" (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, in this latter case, provided that this difference is recoverable by the Company, usually through a reduction in future contributions.

Contributions to defined contribution plans are recognised as an expense in the income statement as the 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.

The 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. Consequently, in the same case as the latter, no assets or liabilities are recognised in the statement of financial position.

f.2. Provisions for workforce restructuring costs

The Company recognises termination or temporary lay-off benefits when there is an individual or group agreement with the employees that will enable them, unilaterally or by mutual agreement with the Company, to cease working for ENDESA, S.A. or to temporarily suspend their employment contract in exchange for termination benefits or consideration. If a mutual agreement is required, a provision is only recorded in situations in which ENDESA has decided to give its consent to the termination of employment, and consent has been notified to the employee either individually or collectively to employee representatives. In all cases in which these provisions are recognised, the employees expect that these early retirements will proceed, and that there will be official notification by the Company to the employee or to the employee's representatives.

The Company has restructuring plans which arose as part of the corresponding collective redundancy procedures approved by the Government, or through agreements drawn up with employee representatives. The plans guarantee the payment of an indemnity or the 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, understood to be the time at which the company is unable to prevent the disbursement, depending on the commitments acquired with the employee or the employee's representatives. These amounts are determined, where appropriate, from actuarial studies to calculate the actuarial obligation at year-end. The actuarial gains and losses disclosed each year are recognised in the income statement for that year.

f.3. Short-term and long-term employee remuneration

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 to euros at the exchange rates prevailing at the transaction date. During the year, differences arising between the balances translated at the exchange rate at the transaction date and those translated at the exchange rate at the date of collection or payment are recorded as financial profit or loss in the income statement (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 translation differences arising are recognised as financial profit or loss in the income statement.

h) Current/non-current classification

In the accompanying statement of financial position, assets and liabilities maturing within 12 months are classified as current and those maturing within more than 12 months are classified as non-current.

i) Income tax expense

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 taxable income for the year, after consideration of any available tax deductions, plus the change in deferred tax assets and liabilities, and tax credits for 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 measured at the tax rates that are expected to apply to the years when the assets are realised and the liabilities settled.

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

In accordance with the principle of prudence, deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. In any case, this condition will be considered to exist, when the applicable tax legislation provides for the possibility of future conversion of deferred tax assets in an enforceable claim against the tax authorities with respect to the assets subject to conversion.

Unless there is evidence to the contrary, it is not considered probable that the company will have future taxable profits in the following cases:

- Where it is expected that their future recovery will occur in a period of over 10 years from the closing date of the financial year, regardless of the nature of the deferred tax asset.

- In the case of unused tax credits and other tax relief due to insufficient taxable income when reasonable doubts exist as to fulfilment of the requirements for their utilisation when the activity has occurred or the return has been obtained.

It is also probable that sufficient taxable profit will be available against which the deferred tax assets can be recovered when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse:

- In the same period as the expected reversal of the deductible temporary difference; or

- In periods into which a tax loss arising from the deferred tax asset 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 accounting profit nor taxable income.

Tax credits arising from economic events occurring in the year are deducted from 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 ascertain whether they still exist, and the appropriate adjustments are made in line with the outcome of the aforementioned examination.

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 report taxable profits in the future enabling these assets to be capitalised.

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

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

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

- Temporary and permanent differences arising from the elimination of profits and losses on operations between companies in the tax group, derived from the process of determining consolidated taxable income.

- Tax credits and rebates that correspond to each company forming the consolidated tax group; for these purposes, tax credits and rebates are allocated to the company that carried out the activity or obtained the profit necessary to obtain the right to the tax credit or rebate.

A reciprocal credit and debit arise between the companies that contribute tax losses to the consolidated tax group and the rest of the companies that offset those losses. Where a tax loss cannot be offset by the other companies of the tax group, these tax loss carryforwards are recognised as deferred tax assets under respective recognition criteria, considering the tax group as a taxable entity.

Income tax credits and rebates affect the calculation of the tax accruing at each company by the effective amount applicable in the consolidated system.

The amount of the debt (credit) relating to the entity representing the tax group in Spain, ENEL Iberia, S.L.U., is recognised with a credit (debit) to current debts (investments) with (in) Group companies and associates in the accompanying statement of financial position.

j) Income and expenses

Dividend income from investments in equity instruments is recognised when the Company is entitled to receive it. Likewise, given that the Company's ordinary activities involve the ownership of investments in the capital of subsidiaries, jointly controlled entities or associates, dividend income is recognised under "Revenue" in the income statement, while an account is included under the operating margin for impairment losses on equity instruments associated with its activity.

As general criteria, ENDESA, S.A. recognises the income from its ordinary activities as the delivery of the goods or the rendering of the services contractually agreed to with its customers occurs during the life of the contract and for the amount of the consideration to which it expects to be entitled in exchange for said goods or services.

In particular, the Company follows the following stages for the recognition of revenue from contracts with customers:

1. Identify the contract with the customer.

2. Identify the obligations for executing the contract.

3. Establish the price of the transaction.

4. Allocate the transaction price among the contract execution obligations.

5. Recognise the income as compliance with execution obligations is met.

The Company excludes from income gross inflows of profits received when acting as an agent or commission agent on behalf of third parties, and only recognises revenue from its own activity.

Interest income and expenses are recognised by reference to the effective interest rate applicable to the outstanding principal over the related repayment period.

Expenses are recognised on an accrual basis.

k) Fair value measurement.

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

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

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

Assets and liabilities measured at fair value may be classified on the following levels (see Notes 8.7 and 12.7):

- Level 1: Fair value is calculated from quoted prices in active markets for identical assets or liabilities.

- Level 2: Fair value is calculated from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The methods and assumptions used to determine the fair value of this Level, by class of assets or liabilities take into account the estimate of future cash flows discounted to present value using zero-coupon yield curves for each currency on the last working day of each closing, translated to Euros at the exchange rate prevailing on the last working day of each closing. All these measurements are made using internal tools.

- Level 3: The fair value is calculated from inputs for assets or liabilities that are not based on observable market data.

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

l) Environmental assets.

Environmental expenses are those incurred by the Company to minimise the environmental impact of its activity.

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.

Non-current assets acquired by the Company to minimise the environmental impact of its activity and to protect the environment are recognised – depending on their nature – as property, plant and equipment or intangible assets, at their cost of acquisition or production, and are depreciated or amortised on a straight-line basis over their useful life.

m) Related party transactions.

All Company transactions with related parties are performed on an arm's length basis. 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.

n) Share-based remuneration schemes

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

The Company recognises the services received from in-house employees as "Personnel Expenses" in the income statement, at the time of obtaining them and, by contrast, it posts the corresponding increase in Equity under the heading "Other equity instruments" when 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 event of payments to employees of its business group, which are settled with equity instruments of the parent, ENDESA, S.A. recognises the cost of the Plan as an addition to its investment in the subsidiary.

Transactions in which it is necessary to complete a certain period of services are recognised to the extent that such services are provided throughout that period.

In transactions with employees settled with equity instruments, both the services provided and the increase in the Equity to be recognised shall be measured at the fair value of the equity instruments transferred, referred to the date of the concession agreement.

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

In transactions settled in cash, the goods or services received and the liability to be recognised shall be measured at the fair value of the liability, referring to the date on which the requirements for recognition are met. Subsequently, and until settlement, the corresponding liability shall be measured at fair value at the closing date of each financial year, with any valuation changes that occurred during the financial year being charged to the income statement.

o) 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, which are 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 principal revenue-producing activities of the Company, in addition to other activities that are not investing or financing activities.

– Investing activities: the acquisition, sale or disposal by other means of non-current assets and other investments not included in cash and cash equivalents.

– Financing activities: Activities that result in changes in the amount and composition of equity and financial liabilities.

5. Intangible assets.

At 31 December 2021 and 2020, the breakdown and movements in this heading in the accompanying statement of financial position were as follows:

Millions of Euros

	Balance at 31 December 2020	Additions and charges	Disposals and Transfers	Balance at 31 December 2021
Cost:				
Patents, licences, trademarks and similar	9	6	(6)	9
Software	375	22	(3)	394
Total	**384**	**28**	**(9)**	**403**
Accumulated amortisation:				
Patents, licences, trademarks and similar	(5)	(7)	6	(6)
Software	(266)	(30)	3	(293)
Total	**(271)**	**(37)**	**9**	**(299)**
NET TOTAL	**113**	**(9)**	**-**	**104**

Millions of Euros

	Balance at 31 December 2019	Additions and charges	Disposals and Transfers	Balance at 31 December 2020
Cost:				
Patents, licences, trademarks and similar	10	6	(7)	9
Software	354	21	-	375
Total	**364**	**27**	**(7)**	**384**
Accumulated amortisation:				
Patents, licences, trademarks and similar	(5)	(7)	7	(5)
Software	(241)	(25)	-	(266)
Total	**(246)**	**(32)**	**7**	**(271)**
NET TOTAL	**118**	**(5)**	**-**	**113**

Investments in computer software in 2021 relate mainly to acquisitions in ENDESA Medios y Sistemas, S.L.U., amounting to Euro 21 million (Euro 19 million in 2020) (see Note 18.1).

Likewise, in 2020, investment additions included the capitalisation of personnel expenses in the amount of Euro 2 million.

At 31 December 2021 , the Company maintained fully amortised intangible assets in the amount of Euro 47 million, relating to computer software in use (without fully amortised in use items at 31 December 2020).

At 31 December 2021 and 2020, the Company had no commitments to purchase intangible assets.

6. Property, plant and equipment.

At 31 December 2021 and 2020, the breakdown and movements in this heading in the accompanying statement of financial position were as follows:

Millions of Euros

	Balance at 31 December 2020	Additions and charges	Disposals and Transfers	Balance at 31 December 2021
Cost:				
Plant and other property, plant and equipment	8	1	-	9
Total	**8**	**1**	**-**	**9**
Accumulated depreciation:				
Plant and other property, plant and equipment	(6)	(1)	-	(7)
Total	**(6)**	**(1)**	**-**	**(7)**
NET TOTAL	**2**	**-**	**-**	**2**

Millions of Euros

	Balance at 31 December 2019	Additions and charges	Disposals and Transfers	Balance at 31 December 2020
Cost:				
Plant and other property, plant and equipment	8	-	-	8
Total	**8**	**-**	**-**	**8**
Accumulated depreciation:				
Plant and other property, plant and equipment	(6)	-	-	(6)
Total	**(6)**	**-**	**-**	**(6)**
NET TOTAL	**2**	**-**	**-**	**2**

At 31 December 2021 and 2020, the Company had no fully depreciated property, plant and equipment still in use.

At 31 December 2021 and 2020, 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. has leased to the Group company ENDESA Medios y Sistemas, S.L.U. the property located at its registered office, whose agreement expires in 2030. On 29 May 2020, an addendum to this property agreement was signed, extending the lease period by 10 years from 1 July 2020. The lease instalments paid in 2021 for this lease amounted to Euro 5 million (Euro 7 million in 2020).

Likewise, ENDESA, S.A. is the lessee of several buildings with leases that expire between 2022 and 2030. Lease payments made in 2021 and 2020 for these leases amounted to Euro 3 million and Euro 2 million, respectively (see Note 16.3).

At 31 December 2021 and 2020, the minimum future lease payments payable by the Company under operating leases are as follows:

Millions of Euros

	Nominal value	
	31 December 2021	31 December 2020
Less than one year	8	8
Between one year and five years	28	32
More than five years	24	36
Total	**60**	**76**

8. Current and non-current financial assets

The details and movements of non-current financial investments in Group companies and associates and non-current financial assets in the accompanying statement of financial positions at 31 December 2021 and 2020 are as follows.

Millions of Euros

	Note	Balance at 31 December 2020	Additions and charges	Disposals	Transfers and other	Balance at 31 December 2021
Non-current investments in Group companies and associates	**18.2**	**18,878**	**46**	**-**	**-**	**18,924**
Equity instruments	8.1.1	18,878	46	-	-	18,924
Interests in Group companies and associates		18,879	47	-	-	18,926
Impairment losses		(1)	(1)	-	-	(2)
Loans to companies	8.1.2	-	-	-	-	-
Loans to companies		54	-	-	-	54
Impairment losses	8.1.3	(54)	-	-	-	(54)
Non-current financial investments		**31**	**6**	**(10)**	**1**	**28**
Equity instruments	8.2.1	4	(1)	-	-	3
Non-current financial investments		5	-	-	-	5
Impairment losses		(1)	(1)	-	-	(2)
Loans to third parties	8.2.2	4	5	(4)	1	6
Loans to third parties		5	5	(4)	-	6
Impairment losses		(1)	-	-	1	-
Derivatives	14	7	2	(2)	-	7
Other financial assets	8.2.3	16	-	(4)	-	12
TOTAL NON-CURRENT FINANCIAL ASSETS		**18,909**	**52**	**(10)**	**1**	**18,952**

Millions of Euros

	Note	Balance at 31 December 2019	Additions and charges	Disposals	Transfers and other	Balance at 31 December 2020
Non-current investments in Group companies and associates	**18.2**	**18,893**	**3**	**(18)**	**-**	**18,878**
Equity instruments	8.1.1	18,893	3	(18)	-	18,878
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)
Non-current financial investments		**30**	**8**	**(6)**	**(1)**	**31**
Equity instruments	8.2.1	4	-	-	-	4
Non-current 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
TOTAL NON-CURRENT FINANCIAL ASSETS		**18,923**	**11**	**(24)**	**(1)**	**18,909**

The details and movements of current financial investments in Group companies and associates and current financial assets in the accompanying statement of financial positions at 31 December 2021 and 2020 are as follows.

Millions of Euros

	Note	31 December 2021	31 December 2020
Current investments in Group companies and associates	**18.2**	**70**	**419**
Loans to companies	8.1.2	70	88
Loans to Group companies and associates		70	88
Other financial assets	8.1.4	-	331
Current financial investments		**2**	**10**
Loans to third parties		2	10
Loans to third parties		2	10
TOTAL CURRENT FINANCIAL ASSETS		**72**	**429**

8.1. Non-current and current investments in Group companies and associates.

8.1.1. Equity instruments.

At 31 December 2021 and 2020, the details of the investments in equity instruments of Group companies and associates, as well as the most significant information regarding each investment at those dates, were as follows:

Group companies and associates: 2021 Company [1] Registered office	Activity	% direct ownership	Millions of Euros Share capital	Reserves	Interim dividend	Profit/(loss) for the year Operating income	Net income	Total equity	Grants, donations and bequests received	Valuation adjustments	Total equity	Carrying amount Cost	Impairment in the year	Accumulated impairment	Dividends received (Notes 16.1 and 18.1)
Group companies:															
ENDESA Energía, S.A.U. – Madrid [2]	Supply of energy products	100	14	1,269	-	77	18	1,301	-	(975)	326	1,102	-	-	-
ENDESA Generación, S.A.U. – Seville [2]	Electricity generation and supply	100	1,940	2,789	-	682	534	5,263	49	(865)	4,447	5,891	-	-	-
ENDESA Red, S.A.U. – Madrid [2]	Distribution activities	100	720	2,060	(649)	1,297	930	3,061	4,657	(217)	7,501	2,440	-	-	649
ENDESA Medios y Sistemas, S.L.U. – Madrid	Rendering of services	100	90	52	-	6	5	147	-	-	147	167	-	-	-
ENDESA Financiación Filiales, S.A.U. – Madrid	ENDESA, S.A. subsidiary financing	100	4,621	4,621	(88)	-	120	9,274	-	-	9,274	9,242	-	-	88
ENDESA X Servicios, S.L.U. - Madrid	Supply of energy products	100	-	90	-	(10)	(7)	83	-	-	83	80	-	-	-
Rest of Group											-	4	(1)	(2)	-
TOTAL												**18,926**	**(1)**	**(2)**	**737**

(1) Unaudited figures.
(2) Figures related to information of the consolidated subgroup.

Group companies and associates: 2020 Company [1] Registered office	Activity	% direct ownership	Millions of Euros Share capital	Reserves	Interim dividend	Profit/(loss) for the year Operating income	Net income	Total equity	Grants, donations and bequests received	Valuation adjustments	Total equity	Carrying amount Cost	Impairment in the year	Accumulated impairment	Dividends received (Notes 16.1 and 18.1)
Group companies:															
ENDESA Energía, S.A.U. – Madrid [2]	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 [2]	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 [2]	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	Rendering of services	100	90	67	-	(22)	(15)	142	-	(1)	141	167	-	-	-
ENDESA Financiación Filiales, S.A.U. – Madrid	ENDESA, S.A. subsidiary financing	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 Group												2	(1)	(1)	3
TOTAL												**18,879**	**(1)**	**(1)**	**2,585**

(1) Audited figures.

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

These companies do not have publicly listed share prices.

At 31 December 2021 and 2020, ENDESA also held 100% of ENDESA Capital, S.A.U. and ENDESA Generación II, S.A.U.

Most significant changes in 2021 and 2020.

2021.

On 10 March 2021 and 15 December 2021, the Company made monetary contributions to its investees, ENDESA X Servicios, S.L.U. and ENDESA Capital, S.A.U., respectively, to strengthen their financial position. These contributions, which were not made for any consideration and do not have to be repaid, were recognised as an increased ownership interest and amounted to Euro 45 million and Euro 2 million, respectively.

2020.

On 24 July 2020, ENDESA, S.A. as Sole Shareholder of ENDESA Energía, S.A.U. approved the partial spin-off 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., they formed ENDESA X Servicios, S.L., a newly-created company, to which the spun-off equity of ENDESA Energía, S.A.U. and ENDESA Ingeniería, S.L.U., respectively, was transferred en bloc. As a result of the foregoing, ENDESA, S.A. assumed a financial investment in ENDESA X Servicios, S.L. of 99.52%. This transaction led to a reduction in ENDESA Energía, S.A.U.'s financial investment of Euro 33 million, as a result of the capital reduction arising from the partial spin-off and an increased financial investment in ENDESA X Servicios, S.L., amounting to Euro 33 million.

Also in 2020, the Company acquired 0.48% of the financial investment in ENDESA X Servicios, S.L., which had been assumed by ENDESA Red, S.A.U. as a result of the spin-off of ENDESA Ingeniería, S.L.U., amounting to Euro 2 million, with the Company becoming the Sole Shareholder of ENDESA X Servicios, S.L.U.

In 2020, the investee International ENDESA, B.V. was liquidated and derecognised in the amount of Euro 18 million, leading a gain to be recognised in the income statement for the derecognition of equity instruments in Group companies and associates of Euro 3 million, as a result of such liquidation.

Likewise, in 2020, a monetary contribution was made to its investee ENDESA Generación II, S.A.U. to reinforce its financial position. This contribution, which was not made for any consideration and does not have to be repaid, was recognised as an increased ownership interest and amounted to Euro 2 million.

8.1.2. Current and non-current loans and advances to Group companies and associates

At 31 December 2021 or 2020, the Company had granted a loan to Elcogas, S.A. (Under settlement) recognised under "Loans to Group companies and associates" at long term and it has been fully impaired. Its maturity date is dependent upon Elcogas, S.A. (Under liquidation) has paid all its company debts, considering that this circumstance, given the current plant closing process, could take longer than 12 months.

Likewise, at 31 December 2021, "Current loans to Group companies and associates" includes mainly the amounts receivable from ENEL Iberia, S.L.U. for an income tax expense of Euro 56 million (Euro 76 million at December 2020). The income tax refundable for2021 of Euro 56 million (Euro 76 million at 31 December 2020) relates to an estimate and is therefore interest-free, since it will be settled in 2022 when the income tax expense return is filed (see Notes 15.9 and 18.2).

8.1.3. Impairment.

During 2021 and 2020, impairment losses on current loans and advances to Group companies and associates and any reversals thereof are as follows.

Millions of Euros

	2021	2020
Balance at 1 January	**54**	**54**
Transfers to current	-	-
Transfers to current	-	-
Balance at 31 December	**54**	**54**

8.1.4. Other financial assets

"Other financial assets - Current investments in Group companies and associates" at 31 December 2020 included dividends receivable amounting to Euro 331 million, broken down as follows:

Millions of Euros

	31 December 2020
ENDESA Red, S.A.U.	151
ENDESA Energía, S.A.U.	143
ENDESA Financiación Filiales, S.A.U.	34
ENDESA Capital, S.A.U.	3
TOTAL	**331**

8.2. Current and non-current financial investments

8.2.1. Equity instruments.

Investments in equity instruments held at 31 December 2021 totalled Euro 3 million (Euro 4 million at 31 December 2020).

8.2.2. Non-current loans to third parties.

At 31 December 2021 and 2020, this heading included the balance relating to non-current loans to staff amounting to Euro 6 million and Euro 5 million, respectively.

Likewise, at 31 December 2021, no impairment losses were recognised for “Non-current loans to third parties” (Euro 1 million at 31 December 2020).

8.2.3. Other non-current financial assets

At 31 December 2021 and 2020, this heading included Euro 12 million and Euro 16 million, respectively, for the deposit provided to guarantee the payment of future services of employees who have availed themselves of ENDESA, S.A.'s defined benefit pension plan. (see Note 11.1).

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

At 31 December 2021 and 2020, Non-current and current financial assets", excluding equity instruments in Group companies and associates, by class and category, were as follows:

Millions of Euros

	Note	31 December 2021			
		Financial assets at cost	Financial assets at amortised cost	Hedging derivatives	Total
Non-current financial investments		**3**	**18**	**7**	**28**
Equity instruments		3	-	-	3
Loans to third parties		-	6	-	6
Derivatives	14	-	-	7	7
Other financial assets		-	12	-	12
Total non-current financial assets		**3**	**18**	**7**	**28**
Current investments in Group companies and associates		**-**	**70**	**-**	**70**
Loans to companies		-	70	-	70
Current financial investments		**-**	**2**	**-**	**2**
Loans to third parties		-	2	-	2
Trade and other receivables		**-**	**203**	**-**	**203**
Cash and cash equivalents		**-**	**378**	**-**	**378**
Total current financial assets		**-**	**653**	**-**	**653**
TOTAL		**3**	**671**	**7**	**681**

Millions of Euros

	Note	31 December 2020			
		Available-for-sale financial assets	Loans and receivables	Hedging derivatives	Total
Non-current financial investments		**4**	**20**	**7**	**31**
Equity instruments		4	-	-	4
Loans to third parties		-	4	-	4
Derivatives	14	-	-	7	7
Other financial assets		-	16	-	16
Total non-current financial assets		**4**	**20**	**7**	**31**
Current investments in Group companies and associates		**-**	**419**	**-**	**419**
Loans to companies		-	88	-	88
Other financial assets		-	331	-	331
Current financial investments		**-**	**10**	**-**	**10**
Loans to third parties		-	10	-	10
Trade and other receivables		**-**	**235**	**-**	**235**
Cash and cash equivalents		**-**	**130**	**-**	**130**
Total current financial assets		**-**	**794**	**-**	**794**
TOTAL		**4**	**814**	**7**	**825**

8.4. Classification by maturity.

At 31 December 2021 and 2020, the breakdown, by maturity, of non-current financial assets, excluding equity instruments, was as follows:

Millions of Euros

31 December 2021	2023	2024	2025	2026	Subsequent years	Total
Non-current financial investments	**5**	**5**	**4**	**2**	**9**	**25**
Loans to third parties	1	1	-	2	2	6
Derivatives	-	-	-	-	7	7
Other financial assets	4	4	4	-	-	12
TOTAL NON-CURRENT FINANCIAL ASSETS	**5**	**5**	**4**	**2**	**9**	**25**

Millions of Euros

31 December 2020	2022	2023	2024	2025	Subsequent years	Total
Non-current financial investments	**7**	**6**	**7**	**-**	**7**	**27**
Loans to third parties	2	1	1	-	-	4
Derivatives	-	-	-	-	7	7
Other financial assets	5	5	6	-	-	16
TOTAL NON-CURRENT FINANCIAL ASSETS	**7**	**6**	**7**	**-**	**7**	**27**

8.5. Items recognised in the income statement and in equity

In 2021 and 2020, the charges to the income statement and to equity arising from non-current and current financial assets grouped by the different existing categories were as follows:

Millions of Euros

	2021		2020	
	Income statement	Equity	Income statement	Equity
Financial assets at amortised cost	1	-	1	-
Financial assets at fair value through profit or loss	(2)	-	(28)	-
Financial assets held for trading	-	-	(28)	-
Fair value hedging derivatives	(2)	-	-	-
Cash flow hedging derivatives	**-**	**2**	**-**	**-**
TOTAL	**(1)**	**2**	**(27)**	**-**

8.6. Financial assets at fair value through profit or loss.

In 2021 and 2020, the changes in the fair value of "Non-current and current financial assets at fair value through profit and loss" were as follows:

Millions of Euros

	Fair value at 31 December 2020	Change in fair value of derivatives	Derivatives settlements	Other Movements	Fair value at 31 December 2021
Financial assets at fair value through profit or loss	**-**	**1**	**(1)**	**-**	**-**
Non-current	-	-	-	-	-
Current	-	1	(1)	-	-
TOTAL	**-**	**1**	**(1)**	**-**	**-**

Millions of Euros

	Fair value at 31 December 2019	Change in fair value of derivatives	Derivatives settlements	Other Movements	Fair value at 31 December 2020
Financial assets at fair value through profit or loss	**28**	**9**	**(37)**	**-**	**-**
Non-current	1	-	-	(1)	-
Current	27	9	(37)	1	-
TOTAL	**28**	**9**	**(37)**	**-**	**-**

8.7. Fair value measurement.

The classification of financial assets measured at fair value in the statement of financial position by fair value hierarchy at 31 December 2021 was as follows:

Millions of Euros

	31 December 2021			
	Fair value	Level 1	Level 2	Level 3
Non-current financial investments	**7**	**-**	**7**	**-**
Derivatives	7	-	7	-
Interest rate hedges	7	-	7	-
Fair value hedges	6	-	6	-
Cash flow hedges	1	-	1	-
Total non-current assets	**7**	**-**	**7**	**-**

There were no hierarchy level transfers among the aforementioned financial assets in 2021.

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 close, translated to euros at the exchange rate prevailing on the last working day of each close. All these measurements are made using internal tools.

At 31 December 2021 and 2020, the fair value of the Company’s non-current financial assets classified under “Financial assets at amortised cost” did not differ from their carrying amount.

8.8. Financial investment commitments.

At 31 December 2021 and 2020, the Company did not have any agreements that included commitments to make financial investments of a significant amount.

9. Foreign currency.

At 31 December 2021 and 2020, the details of the most significant foreign currency balances were as follows:

Millions of Euros

	31 December 2021			31 December 2020		
	US dollar (USD)	Pound sterling (GBP)	TOTAL	US dollar (USD)	Pound sterling (GBP)	TOTAL
CURRENT ASSETS	**66**	**-**	**66**	**72**	**1**	**73**
Trade and other receivables	66	-	66	72	1	73
Trade receivables for sales and services	-	-	-	-	1	1
Receivable from Group companies and associates	66	-	66	72	-	72
TOTAL ASSETS	**66**	**-**	**66**	**72**	**1**	**73**

Millions of Euros

	31 December 2021			31 December 2020		
	US dollar (USD)	Pound sterling (GBP)	TOTAL	US dollar (USD)	Pound sterling (GBP)	TOTAL
CURRENT LIABILITIES	**(34)**	**-**	**(34)**	**(19)**	**-**	**(19)**
Trade and other payables	(34)	-	(34)	(19)	-	(19)
Other payables	(34)	-	(34)	(19)	-	(19)
TOTAL LIABILITIES	**(34)**	**-**	**(34)**	**(19)**	**-**	**(19)**

In 2021 and 2020, no foreign currency transactions of any significant amount were performed.

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) through which it transfers, under the same conditions, the purchases made by the Company from Christi Liquefaction, LLC to execute the aforementioned contracts (see Note 17.2). The transactions involved in these operations are denominated in US dollars (USD), are deemed to be brokerage and are netted off in the accompanying income statement under "Procurements".

The foreign exchange differences arising on transactions settled in 2021 and 2020 related mainly to measurements of cash accounts denominated in foreign currency.

10. Equity.

At 31 December 2021 and 2020, the breakdown of equity and movement during the year are shown in the statement of changes in equity that form part of the Company's financial statements.

10.1. Share capital.

At 31 December 2021, the share capital of ENDESA, S.A. amounted to Euro 1,270,502,540.40, and was represented by 1,058,752,117 bearer shares with a par value of Euro 1.20 each, fully subscribed and paid up, and which were all admitted to trading on the Spanish Stock Exchanges. There were no changes in share capital in 2021 and 2020. All the shares have the same voting and profit-sharing rights.

At 31 December 2021 and 2020, the ENEL Group, through ENEL Iberia, S.L.U., held 70.1% of ENDESA, S.A.'s share capital (see Note 1). At that date no other shareholder held more than 10% of the share capital of ENDESA, S.A.

10.2. Share premium

The share premium arises from the Company's corporate restructuring. Article 303 of the Consolidated text of the Spanish Corporate Enterprises Act expressly permits the use of the share premium to increase capital and does not establish any specific restrictions as to its use.

Nonetheless, at 31 December 2021, Euro 35 million of the share premium are restricted to the extent that they are subject to tax assets capitalised in prior years (Euro 40 million at 31 December 2020).

10.3. Reserves.

At 31 December 2021 and 2020, the details of the Company's reserves were as follows:

Millions of Euros

	Note	31 December 2021	31 December 2020
Legal reserve	10.3.1	254	254
Revaluation reserve	10.3.2	404	404
Redeemed capital reserve	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	(17)	(19)
Other reserves		693	693
Merger reserve	10.3.6	667	667
Other unrestricted reserves	10.3.7	26	26
Voluntary and other reserves		26	26
TOTAL		**1,438**	**1,436**

10.3.1. Legal reserve

In accordance with section 274 of the Consolidated text of the Corporate Enterprises Act, an amount equal to ten per cent of the profit for the year shall be earmarked for the legal reserve until such reserve represents at least twenty per cent of the share capital. The legal reserve can be used to increase share capital provided that the balance left on 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, the legal reserve may not be used to offset losses unless it exceeds twenty per cent of the capital and no other sufficient reserves are available for such purpose.

At 31 December 2021 and 2020, the Company had allocated the minimum amount required by said law to 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.

This balance can be used, tax-free, to offset the accounting loss for the year or accounting losses accumulated from prior years or that could arise in the future, and to increase share capital or unrestricted reserves. It can also be transferred to unrestricted reserves provided that the monetary gain has been realised. The gain will be deemed to have been realised when the related revalued assets have been depreciated, 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 2021, Euro 221 million of the share premium are restricted to the extent that they are subject to tax assets capitalised in prior years (Euro 261 million at 31 December 2020).

10.3.3. Redeemed capital reserve.

The redeemed capital reserve has been appropriated in compliance with Article 335 of the Corporate Enterprises Act, which requires companies to post to this reserve an amount equal to the par value of the redeemed shares or of the reduction in their par value, when the reduction is charged to unrestricted profits or reserves by redeeming shares acquired free of charge by the Company. The drawdown on this reserve shall be subject to the same requirements as set forth for reducing share capital.

10.3.4. Reserve for redenomination of capital to Euros.

This reserve is not distributable.

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 the restructuring of the Company, and its balance at 31 December 2021 and 2020 amounts to Euro 667 million, of which Euro 81 million and Euro 90 million, respectively, are undistributable because they are subject to certain tax benefits.

10.3.7. Other unrestricted reserves.

Voluntary reserves are freely distributable.

10.4 Treasury shares.

On 19 October 2021, the Board of Directors of ENDESA, S.A. resolved to implement a temporary share buy-back programme to cover its long-term variable remuneration plan (Strategic incentive plan 2021-2023), under which the delivery of shares forms part of the "strategic incentive" payment (see Note 18.3.5).

The Repurchasing Programme, managed and implemented by Exane, S.A. ("Exane BNP Paribas"), is subject to that envisaged in the Commission Delegated Regulation (EU) 2016/1052, of 8 March, completing Regulation (EU) 596/2014 of the European Parliament and of the Council, of 16 April.

With the execution of this programme, ENDESA, S.A. has acquired 79,659 treasury shares in addition to the 82,799 treasury shares acquired in 2020 following the execution of a similar programme.

Following the execution of this Programme, at 31 December 2021 and 2020, ENDESA, S.A. held treasury shares as reflected in the table below:

	Number of shares	Nominal Value (Euros/Share)	% of total share capital	Average acquisition cost (Euros/Share)	Total cost of acquisition (Euros)
Own shares at 31 December 2021	162,458	1.20	0,01534	21.44	3,483,847
Own shares at 31 December 2020	82,799	1.20	0,00782	23.27	1,926,534

No disposals or cancellations have been made since acquisition.

10.5. Dividends

2021.

At its meeting held on 24 November 2021, ENDESA's Board of Directors agreed to pay its shareholders a gross interim dividend against 2021 profit of Euro 0.50 per share, which gave rise to a pay-out of Euro 529 million (see Note 3). This interim dividend was deducted from the Company's equity at 31 December 2021:

Millions of Euros

	Approval date	Euros per share, gross	Amount	Payment date
Interim dividend	24 November 2021	0.50	529	3 January 2022
Total dividend paid against 2021 profit		**0.50**	**529**	

2020

Approval was given at ENDESA, S.A.'s General Shareholders' Meeting of 30 April 2021 to pay shareholders a total dividend charged against 2020 profit for a gross amount of Euro 2,0136 per share (Euro 2,132 million in total). The breakdown of these dividends is as follows:

Millions of Euros

	Approval date	Euros per share, gross	Amount	Payment date
Interim dividend	25 November 2020	0.70	741	4 January 2021
Final dividend	30 April 2021	1,3136	1,391	1 July 2021
Total dividend paid against 2020 profit		**2,0136**	**2,132**	

10.6. Valuation adjustments

The movement in "Valuation adjustments" in the accompanying statement of financial position is shown in the statement of recognised income and expense forming part of these financial statements.

11. Provisions and contingencies.

At 31 December 2021 and 2020, the details of current and non-current provisions in the accompanying statement of financial position were as follows:

Millions of Euros

	Note	31 December 2021	31 December 2020
Non-current provisions			
Non-current employee benefit provisions		51	57
Provisions for pensions and other similar provisions (1)	11.1	36	40
Other employee benefits		15	17
Provisions for workforce restructuring costs		140	185
Contract suspensions	11.2.2	140	185
Other provisions	11.3	62	65
TOTAL		**253**	**307**
Current provisions			
Provisions for workforce restructuring costs		44	40
Contract suspensions		44	40
Other provisions		-	9
TOTAL		**44**	**49**

(1) Includes post-employment benefits other than pension plans for Euro 17 million at 31 December 2021 (Euro 16 million at 31 December 2020).

11.1. Provisions for pensions and other similar provisions.

Provisions for pensions and similar obligations in the accompanying statement of financial position are the result of obligations set forth in collective or individual agreements with the Company's employees, whereby the Company undertakes to supplement the public social security system benefits in the event of retirement, permanent disability and death.

Pension commitments, both defined benefits and defined contributions, are basically arranged through pension plans or insurance policies, except as regards certain benefits in kind, which due to their nature have not been externalised and are covered by in-house provisions.

The amounts recognised in the statement of financial position at 31 December 2021 for post-employment benefits include Euro 36 million recognised in non-current provisions (Euro 40 million at 31 December 2020).

At 31 December 2021 and 2020, the details of the present value of the provisions assumed by the Company in relation to post-employment benefits and other long-term employee benefits and associated plan assets were as follows:

Millions of Euros

	31 December 2021	31 December 2020
Present value of defined benefit provisions	**85**	**94**
Assets	14	24
Liabilities	37	41
Early retirees	34	29
Fair value of defined benefit plan assets	**(49)**	**(54)**
NET TOTAL (1)	**36**	**40**

(1) Includes post-employment benefits other than pension plans for Euro 17 million at 31 December 2021 (Euro 16 million at 31 December 2020).

At 31 December 2021 and 2020, the movement in actuarial liabilities for defined benefit provisions was as follows:

Millions of Euros

	Note	2021	2020
Opening actuarial liability		**94**	**112**
Amounts charged to profit for the year		**1**	**3**
Personnel expenses		-	1
Financial expenses	16.4	1	2
Actuarial gains and losses		**(3)**	**9 (1)**
Amounts used		**(7)**	**(30)**
Personnel income		-	(23)
Payments		(7)	(7)
Closing actuarial liability (2)		**85**	**94**

(1) It includes the effect of changes in demographic assumptions amounting to Euro 4 million.
(2) Includes post-employment benefits other than pension plans for Euro 17 million at 31 December 2021 (Euro 16 million at 31 December 2020).

At 31 December 2021 and 2020, the changes in the market value of defined benefit plan assets were as follows:

Millions of Euros

	Note	2021	2020
Opening market value		**54**	**56**
Estimated benefit	16.4	1	1
Company contribution		2	1
Payments		(7)	(6)
Actuarial gains and losses		(1)	2
Closing market value (1)		**49**	**54**
Opening liabilities/(assets) balance		**40**	**56**
Closing liabilities/(assets) balance		**36**	**40**

(1) Post-employment benefits other than pension schemes are not included.

In 2020, the “V ENDESA Framework Collective Agreement” came into force, which established an amendment to certain social benefits, mainly that corresponding to the employee electricity tariff, also including non-serving staff, leading to a positive impact of Euro 23 million on the income statement and of Euro 2 million on the statement of recognised income and expense.

The Company has the above provisions covered by the amounts shown in the statements of financial position at 31 December 2021 and 2020.

Plan assets.

At 31 December 2021 and 2020, the main characteristics of defined benefit plan assets as a percentage of total assets, were as follows:

	Percentage (%)	
	31 December 2021	31 December 2020
Shares	39	33
Fixed-income assets	45	49
Other (cash)	16	18
TOTAL	**100**	**100**

Actuarial assumptions

At 31 December 2021 and 2020, the following were the most significant actuarial assumptions considered in the calculations:

	31 December 2021	31 December 2020
Mortality tables	PERM FCOL2020	PERM FCOL2020
Technical interest rate	1.08% - 1.16%	0.56% - 0.61%
Expected return on plan assets	1.09%	0.57%
Consumer Price Index (CPI) (1)	2.20%	1.00%
Increase in healthcare costs	4.40%	3.20%

(1) Annual review of pension 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, based on the estimated term of the provisions arising from each commitment.

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

Contributions by the Company to defined contribution and benefit pension plans amounted to Euro 10 million in 2021 (Euro 12 million in 2020) and are recognised under "Personnel expenses" in the income statement.

11.2. Provisions for workforce restructuring costs

Provisions for the various workforce restructuring plans included in the statement of financial position are the result of individual or collective agreements with the Company’s employees, whereby the Company undertakes to supplement state benefits in the event of termination or suspension of employment by agreement between the parties.

11.2.1. Collective redundancy procedures

At 31 December 2021, no plan was in force any longer (1 person, at 31 December 2020, used in the 2000 Voluntary Retirement Plan).

At 31 December 2021 and 2020, the movements in this non-current provision were as follows:

Millions of Euros

	Note	2021	2020
Opening balance		**-**	**-**
Amounts used		**-**	**-**
Personnel income	16.2	-	(13)
Transfers and other		-	13
Closing balance		**-**	**-**

Actuarial assumptions

At 31 December 2020, the assumptions used in the actuarial calculation of the provisions arising under these collective redundancy procedures were as follows:

	31 December 2020
Technical interest rate	0.00%
Consumer Price Index (CPI)	1.00%
Mortality tables	PERM FCOL2020

11.2.2. Agreement on voluntary suspension or termination of employment contracts

At 31 December 2021, under the "Agreement on the voluntary suspension or termination of employment contracts of the Framework Agreement on Guarantees for ENDESA, S.A. and its electrical subsidiaries", ENDESA registered a provision amounting to Euro 140 million, covering the entire cost to be borne by the Company during the period, in accordance with the commitments acquired at that date (Euro 185 million at 31 December 2020). This provision affects a maximum of 438 employees for whom ENDESA has undertaken not to exercise the power to apply to return to the Company (485 employees at 31 December 2020).

At 31 December 2021 and 2020, the movements in this non-current provision were as follows:

Millions of Euros

	Note	2021	2020
Opening balance		**185**	**121**
Amounts charged to profit for the year		**9**	**111**
Personnel expenses	16.2	9	109 (1)
Financial expenses	16.4	-	2
Amounts used		**(54)**	**(47)**
Personnel income	16.2	(5)	-
Financial income	16.4	(2)	-
Transfers and other		(47)	(47)
Closing balance		**140**	**185**

(1) It includes the effect of changes in demographic assumptions amounting to Euro 1 million.

Actuarial assumptions

At 31 December 2021 and 2020, the assumptions used in the actuarial calculation of the provisions arising from the contract suspension agreement were as follows:

	31 December 2021	31 December 2020
Future increase in guarantee	1.00%	1.00%
Increase in other items	2.20%	2.00%
Discount rate	0.20%	0.00%
Mortality tables	PERM FCOL2020	PERM FCOL2020

11.3. Other non-current provisions

The movements and details of other non-current provisions on the liabilities side of the accompanying statement of financial position at 31 December 2021 and 2020 were as follows.

Millions of Euros

	2021	2020
Opening balance	**65**	**54**
Amounts charged to profit for the year	**3**	**16**
Amounts charged to profit for the year	**(6)**	**(5)**
Closing balance	**62**	**65**

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 various rulings in the appeals filed by ENDESA, S.A. (and other companies in the electricity sector), against the obligation to finance the Social Bonus established in the former article 45.4 of Law 24/2013, of 26 December, on the Electricity Sector (declared void due to incompatibility with Directive 2009/72/EC of the European Parliament and of Commission, dated 13 July 2009, as set forth in the Supreme Court rulings of 24 and 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 bonuses, as per the article declared void, ruling that all the amounts paid for this concept plus corresponding legal interest should be reimbursed. The authorities submitted applications for nullification of these rulings, but these were dismissed by the Supreme Court. In light of this dismissal, the authorities submitted two appeals for protection before the Constitutional Court, which ruled in favour of the authorities, obliging the Supreme Court to backdate the appeal proceedings to enable the Supreme Court to file a question referred for a preliminary ruling (question prior to the handing down of a ruling) on the applicability of community law to the case. ENDESA, S.A. submitted arguments before the Constitutional Court first and then before the Supreme Court, upholding that the rulings by the Supreme Court have not violated the authorities' right to effective legal protection ensuring proper defence and to all the guarantees of the process, so the annulment decision of the Supreme Court was not affected at all and should be ratified. On 17 July 2019, the Supreme Court, in a procedure followed by another company in the sector, notified an Order with the two questions that it makes to the European Court. In the responses to these questions, it upholds that the financing obligation of the Social Bonus is not proportional or transparent (article 3.2) of the Electricity Directive) and that for the Supreme Court, the case is clear: it has no doubts regarding the certainty of the annulment ruling of the financing system for the Social Bonus that the Constitutional Court cancelled under the appeal for protection. Five Supreme Court judges voted on this Order, but one issued a dissenting opinion against the majority decision, upholding that the Social Bonus was a proportional and transparent public service obligation. In the processing of the question referred for a preliminary ruling by the Court of Justice of the European Union, it was not agreed to hold a hearing, and instead Court 3 launched questions to the appearing parties regarding the issues which, in its opinion, require this decision. The different responses were issued in November 2020. On 14 October 2021, the Court of Justice handed down a Ruling, indicating that article 3.2 of the Directive 2009/72 opposes the fact that the cost of a public service obligation, consisting of supplying electricity at a reduced rate to certain vulnerable consumers, is only met by the parents of vertically integrated groups of companies or, where appropriate, by companies that simultaneously perform electricity generation, distribution and supply activities, since this distinction leads to a different treatment that is not objectively justified. Following the Ruling handed down by the Court of Justice in response to the question referred for a preliminary ruling examined and the pleadings prepared by ENDESA, S.A. and the remaining parties, the Supreme Court handed down a Ruling confirming that already indicated in its previous Ruling of 24 October 2016. In particular, the Supreme Court, through its Ruling dated 21 December 2021, declared the non-applicability of the financing system for the Social Bonus envisaged in article 45 of the Electricity Sector Law (ESL), since it breaches article 3.2 of Directive 2009/72 and, in turn, declared the nullity of Royal Decree 968/2014.

- On 31 May 2016, ENDESA initiated an estate claim against the General Administration of the State for having applied an illegal rule, Order ITC/3315/2007 of 15 November, annulled by judgment of the Supreme Court, 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_2) emission rights allocated free of charge by the National Emissions Allocation Plan (PNA), which it does not have a legal duty to bear.

  ENDESA requested the payment of Euro 285 million, of which Euro 188 million corresponds to physical bilateral contracts and Euro 97 million to assimilated physical bilateral contracts. The administrative appeal against the alleged dismissal was brought before the National High Court on 3 March 2017, and on 12 February 2020, it handed down a ruling upholding the concurrence of unlimited liability, although it restricted the estimate to the amount corresponding only to physical bilateral contracts, taking the view that the Supreme Court Ruling that overturned Order ITC/3315/2007 of 15 November, from which unlimited liability derived, related exclusively to those agreements. This ruling stipulated that the determination of the amounts subject to compensation and their updating shall be determined by the Spanish Markets and Competition Commission (CNMC).

  On 4 September 2020, the State lawyer filed a cassation appeal and on 30 October 2020, ENDESA submitted a document opposing its admission. On 12 February 2021, the Order of the previous day was notified, whereby the Supreme Court rejected the cassation appeal prepared by the General Administration of the State.

  As the State Lawyer did not file for a review or appeal, ENDESA has asked the Spanish Markets and Competition Commission directly to obey the ruling providing the National High Court with the calculated financial amount of the compensation to be paid to ENDESA. On 10 June 2021, ENDESA requested the implementation of this Ruling before the Spanish High Court. On 27 October 2021 and, subsequently, on 23 December 2021, ENDESA filed new pleadings before the Spanish High Court urging the enforcement of the Ruling. In turn, a report of the Spanish Markets and Competition Commission (CNMC) dated 30 November 2021 was provided, quantifying the compensatory amount owed in this regard.

- Following a substantial number of meetings of the Committee responsible for negotiating the “V ENDESA Framework Collective Agreement”, which commenced in October 2017 and progressed throughout 2018, and given that no agreement was reached, the Company's directors informed its workers and their representatives that, with effect from 1 January 2019, the “IV ENDESA Framework Collective Agreement” would be considered to have ended, in addition to the “Guarantee Framework Agreements” and the “Agreement on Voluntary Suspension or Termination of Employment Contracts for 2013-2018”, from which date the general employment regulations would apply, in addition to all case law in this regard.

  The different interpretation of ENDESA and the union representation of workers on the effects of the termination of the implementation of the "IV ENDESA Framework Collective Agreement", particularly as regards the social benefits of retired staff, led to the presentation by trade unions with representation at ENDESA companies of a collective dispute lawsuit before the National High Court at the beginning of 2019. On 26 March 2019, a judgment was issued in which the National High Court, considering ENDESA to be in the right, declaring valid the interpretation of the Company that recognises the legality of the completion of the application of certain social benefits to the retired employees as a result of the termination of "IV ENDESA Framework Collective Agreement".

  Although said Ruling is fully enforceable, trade union representatives at ENDESA's companies filed a cassation appeal against it before the Supreme Court in April 2019. In December 2019, the majority union at ENDESA, the General Workers' Union (UGT) agreed to withdraw such Appeal as a result of voluntarily having submitted itself to fair arbitration to resolve certain aspects relating to the "V ENDESA Framework Collective Agreement". Therefore, the appeal before the Supreme Court continues to be processed at the request of the three requesting minority trade unions (Workers' Commissions (CCOO), Independent Energy Union (SIE) and Galega Intersindical Confederation (IGC)).

On 7 July 2021 (notified on 22 July 2021), the Supreme Court handed down Ruling (no. 761/2021), dismissing in full the appeals filed by the aforementioned trade unions, confirming the Spanish High Court Industrial Tribunal Ruling, of 26 March 2019, in its collective conflict procedure, Orders no. 32/2019.

The Ruling mainly argues that the social benefits (among them, those relating to the electricity tariff) exclusively arise from the collective agreements, both for serving and retired employees and their family members, so their extinguishment, as occurred in the case of the "IV ENDESA Framework Collective Agreement", generally determines the contractualisation of the conditions established therein for serving employees and, in the case of non-active employees and their family members, led to the definitive extinguishment of all their rights, until they are regulated under the "V ENDESA Framework Collective Agreement".

In addition to the aforementioned collective dispute claim, more than a thousand individual claims have been filed at the date of authorisation for issue of these financial statements by retired employees or employees that have availed themselves of the voluntary departure plan, since they considered that the termination of the "IV ENDESA Framework Collective Agreement" did not affect them in the terms reported by the Company. Following the Supreme Court Ruling of 7 July 2021 (notified on 22 July 2021), the suspension on many of these claims was lifted, with all the courts involved to date applying the *"res judicata effect"* on the individual processes on the same object, so the individual claims filed are being rejected.

– Also, on 30 December 2020, notification was received from the National High Court of the collective conflict claim filed by the Workers' Commissions Unions (CCOO), Independent Energy Union (SIE) and Galega Intersindical Confederation (IGC) on 16 December 2020, requesting the annulment of certain repealing provisions of the "V ENDESA Framework Collective Agreement". In the applicants' view, the repealing provisions under attack entail the unlawful elimination of social benefits and economic rights. ENDESA maintains a contrary position, defending its absolute legality in line with that argued in the challenge of the modification of social benefits to retired staff (Favourable judgement in the National High Court, dated 26 March 2019, and in the Supreme Court, dated 7 July 2021.). The hearing was held on 4 November 2021, handing down a Ruling on 15 November 2021 (notified on 23 November 2021). In this Ruling, the claims of the recurring trade unions were dismissed and the legality of the "V ENDESA Framework Collective Agreement" was declared. This Ruling was appealed against before the Supreme Court by the (Workers' Commissions (CCOO), Independent Energy Union (SIE) and Galega Intersindical Confederation (IGC).

– Lastly, it must be indicated that in January 2020, ENDESA commenced a "Substantial Modification of Employment Conditions" (SMEC) process to establish the new organisation of the social benefits for personnel not included in the "V ENDESA Framework Collective Agreement". Following the appropriate procedure, on 24 March 2021, the consultation period ended with the agreement between ENDESA and the majority trade union the General Workers' Union (UGT) and the opposition of the Workers' Commissions Unions (CCOO) and the Independent Energy Union (SIE), which did not consider that any of the causes envisaged in article 41 of the Workers' Statute materialised to carry out the substantial modification intended by the Company.

  On 24 April 2020, a collective conflict claim was filed before the Spanish High Court by the Workers' Commissions Unions (CCOO) and the Independent Energy Union (SIE), a procedure which was suspended until the Supreme Court Ruling of 7 July 2021, relating to the "IV ENDESA Framework Collective Agreement", described previously. On 4 November 2021, the trial took place, and a Ruling was handed down by the Spanish High Court on 11 November 2021 (notified on 23 November 2021), in which the claim was partially upheld filed by the trade unions declaring the nullity of the Substantial Modification of Employment Conditions agreements reached by ENDESA and the General Workers' Union (UGT), also observing the "*res judicata effect*" in relation to the pension rights of employees outside the Agreement, since it involves a dispute already resolved by the Supreme Court Ruling of 7 July 2021. Both ENDESA, on the one hand, and the Workers' Commissions Unions (CCOO) and the Independent Energy Union (SIE) on the other hand, have filed a cassation appeal before the Supreme Court against the aspects of the Ruling contrary to its interests.

– On 9 July 2018, ENDESA, S.A. was notified of the definitive income tax and VAT settlement agreements of the income tax and VAT tax consolidation groups to which ENDESA, S.A. belongs, relating to the 2011 to 2014 inspection process, which were appealed against on 27 July 2018 before the Central Economic-Administrative Court. On 28 January 2022, a partial settlement was upheld for Value Added Tax (VAT), which it was decided to continue to appeal against before the Spanish High Court, and the part relating to Income Tax was pending resolution.

  The items under discussion originate mainly from the differing criteria regarding the deductibility of certain financial expenses during the inspected period and the deductibility of Value Added Tax (VAT) under the pro rata rule. The contingency associated with the process is Euro 40 million. A guarantee is available to ensure debt suspension.

– In relation to the inspection process for 2015-2018, definitive income tax and VAT settlement agreements were received from the income tax and VAT tax consolidation groups to which ENDESA, S.A. belongs and for personal income tax withholdings of ENDESA, S.A. itself. The agreements were appealed against before the Central Economic-Administrative Court.

  The items under discussion originate mainly from the differing criteria regarding the deductibility of certain financial expenses during the inspected period. The contingency associated with the process is Euro 23 million. A guarantee is available to ensure debt suspension.

The Company's directors do not expect any significant liabilities in addition to those already recognised in the accompanying statement of financial position to arise as a result of the aforementioned lawsuits and arbitration proceedings.

12. Current and non-current financial liabilities.

12.1. Current and non-current financial liabilities.

At 31 December 2021 and 2020, the movements and breakdown of "Non-current debts" and "Non-current debts to Group companies and associates" in the accompanying statement of financial position were as follows:

Millions of Euros

	Note	Balance at 31 December 2020	Drawdowns	Depreciation and amortisation	Fair value adjustments	Transfers to current	Other	Balance at 31 December 2021
Non-current debts		**2,081**	**1,401**	**(2)**	**(23)**	**(221)**	**2**	**3,238**
Bonds and other marketable securities		20	-	-	(2)	-	-	18
Bank borrowings		2,023	1,401	(1)	-	(220)	-	3,203
Finance lease payables		1	-	-	-	(1)	1	1
Derivatives	14	34	-	-	(21)	-	-	13
Other financial liabilities		3	-	(1)	-	-	1	3
Non-current debts to Group companies and associates	18.2	**6,303**	**-**	**(1,468)**	**-**	**-**	**-**	**4,835**
Debts to Group companies and associates		6,303	-	(1,468)	-	-	-	4,835
TOTAL		**8,384**	**1,401**	**(1,470)**	**(23)**	**(221)**	**2**	**8,073**

Millions of Euros

	Note	Balance at 31 December 2019	Drawdowns	Depreciation and amortisation	Fair value adjustments	Transfers to current	Other	Balance at 31 December 2020
Non-current debts		**1.856**	**348**	**(69)**	**25**	**(80)**	**1**	**2.081**
Bonds and other marketable securities		-	12	-	8	-	-	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
Non-current debts to Group companies and associates	18.2	**8.010**	**-**	**(1.706)**	**(1)**	**-**	**-**	**6.303**
Debts to Group companies and associates		8.009	-	(1.706)	-	-	-	6.303
Derivatives	14	1	-	-	(1)	-	-	-
TOTAL		**9.866**	**348**	**(1.775)**	**24**	**(80)**	**1**	**8.384**

At 31 December 2021 and 2020 , the details of "Current debts" and "Current debts to Group companies and associates" in the accompanying statement of financial position were as follows:

Millions of Euros

	Note	31 December 2021	31 December 2020
Current debts		**3,216**	**1,474**
Bank borrowings		134	83
Finance lease payables		1	1
Derivatives	14	-	1
Other financial liabilities (1)		3,081	1,389
Current debts to Group companies and associates	18.2	**430**	**604**
Debts to Group companies and associates		48	74
Other financial liabilities (2)		382	530
TOTAL		**3,646**	**2,078**

(1) At 31 December 2021, it mainly included the interim dividend to be paid by ENDESA, S.A. to the shareholders that do not form part of the ENEL Group, in the amount of Euro 158 million (Euro 221 million at 31 December 2020) (see Note 10.5), in addition to the outstanding balance of Euro Commercial Paper (ECP) issuances in the amount of Euro 2,917 million (Euro 1,162 million at 31 December 2020) (see Note 12.2).

(2) At 31 December 2021, it mainly included the interim dividend payable by ENDESA, S.A. to ENEL Iberia, S.L.U., amounting to Euro 371 million (Euro 520 million at 31 December 2020) (see Note 10.5).

At 31 December 2021 and 2020, the composition of both current and non-current "Bank borrowings" and "Debts to Group companies and associates" in the accompanying statements of financial position were as follows:

Millions of Euros

	Note	31 December 2021		31 December 2020	
		Non-current	Current	Non-current	Current
Bank borrowings	12.2	**3,203**	**134**	**2,023**	**83**
European Investment Bank (EIB) loan		1,463	123	1,423	79
Instituto de Crédito Oficial (ICO) loan		290	10	300	-
Syndicated loan - Club Deal		300	-	300	-
Other current loans		1,148	1	-	-
Lines of credit		2	-	-	4
Debts to Group companies and associates	12.2 and 18.2	**4,835**	**48**	**6,303**	**74**
ENEL Finance International, N.V.		3,000	16	3,000	15
ENDESA Financiación Filiales, S.A.U.		1,835	13	3,303	30
Other debts		-	19	-	29

12.2. Main transactions

The main transactions in 2021 were as follows:

– A new issuance programme of SDG7 Euro Commercial Papers (ECP) amounting to Euro 4,000 million, the outstanding nominal balance of which was Euro 2,915 million 31 December 2021, whose renewal is backed by irrevocable bank credit facilities. This Programme incorporates sustainability objectives, in line with ENDESA's Strategic Plan.

– Likewise, in 2021, the following financial transactions were performed, all of which incorporated sustainability goals:

Millions of Euros

Transactions	Counterparty	Signature date	Maturity date	Amount
Loan (1) (2)	CaixaBank, S.A., Bankia, S.A. and Kutxabank, S.A.	25 March 2021	25 March 2024	300
Line of credit (1) (2)	CaixaBank, S.A., Bankia, S.A. and Kutxabank, S.A.	25 March 2021	25 March 2024	250
Lines of credit (1) (3)	Various banks	25 March 2021	25 March 2025	1,955
Line of credit (1)	BNP Paribas, S.A.	25 March 2021	25 March 2025	100
Loan (4)	CaixaBank, S.A.	31 March 2021	15 April 2028	150
Line of Credit (1)	Deutsche Bank, S.A.E.	28 April 2021	28 April 2025	70
Intercompany credit facility (1) (5)	ENEL Finance International N.V.	25 May 2021	25 May 2025	1,700
Loan (4)	Unicaja Banco, S.A.	28 June 2021	28 June 2028	75
Loan (4)	Kutxabank, S.A.	30 July 2021	30 July 2028	75
Loan (4)	Cajasur Banco S.A.U.	30 July 2021	30 July 2028	50
Loan (4)	Unicaja Banco, S.A.	15 October 2021	15 October 2026	125
Loan (4)	Kutxabank, S.A.	15 October 2021	15 October 2026	75
Loan (4)	Banco Cooperativo Español S.A.	27 October 2021	27 October 2028	100
Loan (4)	European Investment Bank	11 November 2021	22 November 2036	250
Line of Credit (1)	Bankinter, S.A.	3 December 2021	25 March 2025	25
Loan (4)	CaixaBank, S.A.	9 December 2021	9 December 2024	275
Line of Credit (4)	CaixaBank, S.A.	10 December 2021	10 December 2024	100
Line of Credit (4)	Intesa San Paolo, SpA	13 December 2021	13 December 2024	200
Line of Credit (1)	Unicaja Banco, S.A.	17 December 2021	25 March 2025	25
Line of Credit (4)	Banco Bilbao Vizcaya Argentaria, S.A.	17 December 2021	17 December 2024	150
Line of Credit (4)	BNP Paribas, S.A.	17 December 2021	17 December 2024	100
Line of Credit (4)	Deutsche Bank, S.A.E.	17 December 2021	17 December 2024	125
Loan (4)	Banco Bilbao Vizcaya Argentaria, S.A.	17 December 2021	17 December 2024	225
Loan (4)	Instituto de Crédito Oficial	20 December 2021	20 December 2033	300
Loan (4)	European Investment Bank	21 December 2021	2037	250
TOTAL				**7,050**

(1) Transactions described as sustainable on including the performance indicator (KPI) in relation to ENDESA's commitment to ensure that its net installed mainland capacity from renewable sources is 55% of the total net installed capacity at 31 December 2022.
(2) Corresponds to a financial transaction in "Club Deal" format in force renewed at the signature date.
(3) Corresponds to nine credit lines in force renewed at the signature date.
(4) The credit conditions of this transactions are tied, for the first time for ENDESA, to the objective established in the Company's Strategic Plan to reduce specific emission of Scope 1 carbon dioxide (CO_2) equivalent to 150g CO_2eq/kWh in 2023.
(5) The formalisation of this credit facility coincides with the cancellation of two lines of credit that ENDESA held with ENEL Finance International, N.V. until that date, for the amount of Euro 1,000 million and Euro 700 million, respectively.

The main "Non-current and current financial debts" at 31 December 2021 and 2020 relate to the following operations:

Millions of Euros

	Limit	31 December 2021		31 December 2020		Conditions	Maturity
		Non-current	Current	Non-current	Current		
Bonds and other marketable securities		**18**	**-**	**20**	**-**		
Bond		18	-	20	-	Interest rate 5.74%	12 November 2031
Bank borrowings		**3,203**	**134**	**2,023**	**83**		
Lines of credit	2,869	2	-	-	4	Floating interest rate	Until 25 March 2025
European Investment Bank (EIB) (1)	1,837	1,463	123	1,423	79	Floating interest rate	Until 22 November 2036
Instituto de Crédito Oficial (ICO) (2)	600	290	10	300	-	Floating interest rate	Until 20 December 2033
Club Deal (3)	550	300	-	300	-	Floating interest rate	Until 25 March 2024
Banking loans	1,149	1,148	1	-	-	Fixed and floating interest rate	Until 27 October 2028
Debts to Group companies and associates		**4,835**	**430**	**6,303**	**604**		
Line of credit with ENEL Finance International, N.V. (4)	1,700	-	-	-	-	Margin of 65bp and fee applicable if not used of 20bp	25 May 2025
Intercompany loan with ENEL Finance International, N.V. (5)	3,000	3,000	16	3,000	15	Fixed interest rate 3.0%	29 October 2024
Current account with ENDESA Financiación Filiales, S.A.U. (6)		1,835	13	3,303	30	Average interest rate of 1.7% (1.8% in 2020)	1 July 2026
Other debts		-	19	-	29		
Other financial liabilities (8)		-	382	-	530		
Other financial liabilities		**3**	**3,081**	**3**	**1,389**		
European Commercial Paper (ECPs) (7)	4,000	-	2,917	-	1,162	Floating interest rate	Renewed annually
Other financial liabilities		3	164	3	227	-	-
TOTAL		**8,059**	**3,645**	**8,349**	**2,076**		

(1) On 11 November 2021, ENDESA, S.A. signed a financing agreement with the European Investment Bank (EIB) for an amount of Euro 250 million, the disbursement of which was made on 22 November 2021. On 21 December 2021, ENDESA, S.A. signed another financing agreement with the European Investment Bank (EIB) for Euro 250 million, the disbursement of which is expected to take place during the first half of 2022.

(2) On 10 May 2019, ENDESA, S.A. signed a financing agreement with the Official Credit Institute (ICO) for 300 million euros. Likewise, on 20 December 2021, ENDESA, S.A. subscribed another financing with the Official Credit Institute (ICO) in the amount of 300 million euros, which has been disbursed on 17 January 2022.

(3) On 17 April 2020, ENDESA, S.A. arranged a syndicated loan linked to sustainability targets with CaixaBank, S.A., Bankia, S.A. and Kutxabank, S.A. for Euro 300 million, which was renewed for the same amount on 25 March 2021.

(4) Committed and irrevocable line of credit (see Note 18.2).

(5) On 23 October 2014, ENDESA, S.A. signed a long-term intercompany loan with ENEL Finance International, N.V. for an amount of Euro 4,500 million. On 30 June 2015, ENDESA, S.A. made a partial repayment of Euro 1,500 million on this loan. At 31 December 2021, unpaid interest accrued on this loan amounted to Euro 16 million (Euro 15 million at 31 December 2020) (see Note 18.2).

(6) The Company also had a cash pooling agreement with ENDESA Financiación Filiales, S.A.U. that is automatically renewable for five-year periods at maturity 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 applicable to the current account will be determined by ENDESA Financiación Filiales, S.A., and will be equal to the average cost of gross debt to the ENDESA Group in Spain (or any other that may replace it in the future) as published by the Finance Department during the month immediately previous to the interest period concerned, and may be reviewed where appropriate depending on the actual rate at the end of the interest period. This contract stipulates that the Company may 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 2021, unpaid interest accrued on this credit facility amounted to Euro 13 million (Euro 30 million at 31 December 2020) (see Note 18.2).

(7) This corresponds to the outstanding balance of Euro Commercial Paper (ECPS) pursuant to the new issuance programme registered by ENDESA, S.A. on 7 May 2021.

(8) It mainly relates to interim dividends payable to ENEL Iberia, S.L.U., amounting to Euro 371 million (Euro 520 million at 31 December 2020).

Bonds and other marketable securities.

On 30 September 2020, ENDESA, S.A. signed the novation of a bond with International ENDESA, B.V. (Under liquidation), together with the fair value hedge derivative associated with this debt. This issuance has a par value of Euro 12 million and matures in November 2031 and has an interest rate of 5.74%. At 31 December 2021, this bond included the changes in value attributable to the hedged risk amounting to Euro 6 million (Euro 8 million at 31 December 2020).

With this transaction, the financial activity of International ENDESA, B.V. (Under liquidation) will be closed, having liquidated the Company on 30 December 2020 (see Note 8.1.1).

Other debts

At 31 December 2021, "Current debts to Group companies and associates" include the loan granted by Nuclenor, S.A. for Euro 6 million (Euro 21 million at 31 December 2020) (see Note 18.2).

Furthermore, at 31 December 2021, "Current debts to Group companies and associates" also includes the amount payable to ENEL Iberia, S.L.U. corresponding to value added tax (VAT) in the amount of Euro 13 million (Euro 8 million at 31 December 2020) (see Notes 15.9 and 18.2).

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

The breakdown of non-current and current financial liabilities by type and category at 31 December 2021 and 2020 are as follows:

Millions of Euros

	Note	31 December 2021			
		Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Hedging derivatives	Total
Non-current debts		**2,707**	**518**	**13**	**3,238**
Bonds and other marketable securities		-	18	-	18
Bank borrowings		2,703	500	-	3,203
Finance lease payables		1	-	-	1
Derivatives	14	-	-	13	13
Other financial liabilities		3	-	-	3
Non-current debts to Group companies and associates	18.2	**4,835**	**-**	**-**	**4,835**
Debts to Group companies and associates		4,835	-	-	4,835
Total non-current		**7,542**	**518**	**13**	**8,073**
Current debts		**3,216**	**-**	**-**	**3,216**
Bank borrowings		134	-	-	134
Finance lease payables		1	-	-	1
Other financial liabilities		3,081	-	-	3,081
Current debts to Group companies and associates	18.2	**430**	**-**	**-**	**430**
Debts to Group companies and associates		48	-	-	48
Other financial liabilities		382	-	-	382
Trade and other payables		**149**	**-**	**-**	**149**
Total current		**3,795**	**-**	**-**	**3,795**
TOTAL		**11,337**	**518**	**13**	**11,868**
TOTAL FAIR VALUE		**11,622**	**518**	**13**	**12,153**

Millions of Euros

	Note	31 December 2020			
		Debts and payables	Financial liabilities held for trading	Hedging derivatives	Total
Non-current debts		**2,047**	**-**	**34**	**2,081**
Bonds and other marketable securities		20	-	-	20
Bank borrowings		2,023	-	-	2,023
Finance lease payables		1	-	-	1
Derivatives	14	-	-	34	34
Other financial liabilities		3	-	-	3
Non-current debts to Group companies and associates	18.2	**6,303**	**-**	**-**	**6,303**
Debts to Group companies and associates		6,303	-	-	6,303
Total non-current		**8,350**	**-**	**34**	**8,384**
Current debts		**1,473**	**1**	**-**	**1,474**
Bank borrowings		83	-	-	83
Finance lease payables		1	-	-	1
Derivatives	14	-	1	-	1
Other financial liabilities		1,389	-	-	1,389
Current debts to Group companies and associates	18.2	**604**	**-**	**-**	**604**
Debts to Group companies and associates		74	-	-	74
Other financial liabilities		530	-	-	530
Trade and other payables		**137**	**-**	**-**	**137**
Total current		**2,214**	**1**	**-**	**2,215**
TOTAL		**10,564**	**1**	**34**	**10,599**
TOTAL FAIR VALUE		**11,025**	**1**	**34**	**11,060**

Pursuant to the measurement standards, items covered by fair-value hedging derivatives were included under "Financial liabilities at fair value through profit and loss".

12.4. Classification by maturity.

At 31 December 2021 and 2020, the breakdown of non-current financial liabilities, by maturity, were as follows:

Millions of Euros

31 December 2021	Note	2023	2024	2025	2026	Subsequent years	Total
Non-current debts		**167**	**969**	**191**	**404**	**1,507**	**3,238**
Bonds and other marketable securities		-	-	-	-	18	18
Bank borrowings		165	968	191	404	1,475	3,203
Finance lease payables		1	-	-	-	-	1
Derivatives	14	-	1	-	-	12	13
Other financial liabilities		1	-	-	-	2	3
Non-current debts to Group companies and associates	**18.2**	**-**	**3,000**	**-**	**1,835**	**-**	**4,835**
Debts to Group companies and associates		-	3,000	-	1,835	-	4,835
TOTAL		**167**	**3,969**	**191**	**2,239**	**1,507**	**8,073**

Millions of Euros

31 December 2020	Note	2022	2023	2024	2025	Subsequent years	Total
Non-current debts		**446**	**179**	**181**	**180**	**1,095**	**2,081**
Bonds and other marketable 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
Non-current debts to Group companies and associates	**18.2**	**-**	**-**	**3,000**	**-**	**3,303**	**6,303**
Debts to Group companies and associates		-	-	3,000	-	3,303	6,303
TOTAL		**446**	**179**	**3,181**	**180**	**4,398**	**8,384**

In 2021, the average interest rate was 2.1% on bank borrowings (2.0% in 2020) and 1.7% on debt to Group companies (1.8% in 2020).

12.5. Items recognised in the income statement and in equity

In 2021 and 2020, the charges to the income statement and to equity arising from non-current and current financial liabilities, grouped by the different categories, are as follows:

Millions of Euros

	2021		2020	
	Income statement	Equity	Income statement	Equity
Financial liabilities at amortised cost	(129)	-	(163)	-
Financial liabilities at fair value through profit or loss	2	-	30	-
Financial assets held for trading	1	-	30	-
Fair value hedging derivatives	(1)	-	-	-
Other	2	-	-	-
Cash flow hedging derivatives	(8)	14	7	(24)
TOTAL	**(135)**	**14**	**(140)**	**(24)**

12.6. Financial liabilities at fair value through profit or loss

In 2021 and 2020, the variation in fair value of this type of financial liabilities was as follows:

Millions of Euros

	Fair value at 31 December 2020	Change in fair value of derivatives	Settlement of derivatives	Other movements	Fair value at 31 December 2021
Financial liabilities held for trading	**1**	**-**	**(1)**	**-**	**-**
Non-current	-	-	-	-	-
Current	1	-	(1)	-	-
TOTAL	**1**	**-**	**(1)**	**-**	**-**

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
Financial liabilities held for trading	**31**	**7**	**(37)**	**-**	**1**
Non-current	1	-	-	(1)	-
Current	30	7	(37)	1	1
TOTAL	**31**	**7**	**(37)**	**-**	**1**

12.7. Fair value measurement

Non-current and current financial liabilities measured at fair value in the statement of financial position by fair value hierarchy at 31 December 2021 were as follows:

Millions of Euros

	31 December 2021			
	Fair value	Level 1	Level 2	Level 3
Non-current debts	**531**	**-**	**531**	**-**
Bonds and other marketable securities	18	-	18	-
Debts with Credit Entities	500	-	500	-
Derivatives	13	-	13	-
Interest rate hedges	13	-	13	-
Fair value hedges	1	-	1	-
Cash flow hedges	12	-	12	-
Total non-current liabilities	**531**	**-**	**531**	**-**

There were no hierarchy level transfers among the aforementioned financial liabilities in 2021.

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 close, translated to euros at the exchange rate prevailing on the last working day of each close. All these measurements are made using internal tools.

At 31 December 2021 and 2020, the fair value of the Company's non-current financial assets classified under "Financial liabilities at amortised cost" did not differ from their carrying amount.

12.8. Financial stipulations

ENDESA, S.A.'s debt is subject to the usual covenants in contracts of this type. In no case do such stipulations include the obligation to maintain financial ratios whose non-compliance could lead to early maturity of the debt.

At 31 December 2021 and 2020, ENDESA, S.A. had not breached its covenants or any other financial obligations that would require the early repayment of its financial commitments.

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

Millions of Euros

Clauses	Transactions	Covenants	Outstanding debt	
			31 December 2021	31 December 2020
Related to credit ratings	Financial transactions with the European Investment Bank (EIB) and Instituto de Crédito Oficial (ICO)	Additional or renegotiated guarantees in the event of credit rating downgrades	1,887	1,703
Relating to change of control.	Loans and other agreements arranged with financial entities and ENEL Finance International, N.V.	May be repaid early in the event of a change of control at ENDESA, S.A.	4..887 (1)	5,103 (1)
Related to asset transfers	Loans and other Financial Institutions Agreements	Restrictions arise if a percentage of between 7 and 10% of ENDESA's consolidated assets is exceeded (2)	3,336	1,803

(1) The amount signed was Euro 7,137 million at 31 December 2021 (Euro 7,053 million at 31 December 2020).
(2) Above these thresholds, the restrictions would only apply, in general, if no equivalent consideration is received or if there was a material negative impact on ENDESA, S.A.'s solvency.

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 2021 and 2020.

12.9. Other matters

At 31 December 2021 and 2020, ENDESA, S.A. had undrawn credit facilities available totalling Euro 4,817 million and Euro 4,090 million, respectively, of which Euro 1,700 million correspond to committed irrevocable credit facilities arranged with ENEL Finance International, N.V. (see Notes 12.2 and 13.3)

13. General Risk Control and Management 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.

The General Risk Control and Management Policy lays down the basic principles and the general framework to control and manage risks of any kind that could affect the attainment of targets, ensuring that they are systematically identified, analysed, assessed, managed and controlled within the risk levels set. The General Risk Control and Management Policy identifies the different types of risk, financial and non-financial (including operational, technological, legal, social, environmental, political and reputational, including those related to corruption) faced by the Company, including among the financial or economic risks, any contingent liabilities and other risks not included in the statement of financial position.

The General Risk Control and Management Policy seeks to guide and lead the series of strategic, organisational and operational activities that enable the Board of Directors of ENDESA, S.A. to identify precisely the acceptable risk level, so that the managers of the various business lines, staff and service functions can maximise the Company's profit, maintaining or increasing its equity and the certainty of this occurring above certain levels, preventing future uncertain events from undermining the Company's profit targets set, its operations, sustainability, resilience or reputation in a sustained manner over time, contributing an adequate level of guarantees to the shareholders and safeguarding their interests, those of the customers and of other stakeholders.

The principles of ENDESA S.A.'s Risk Control and Management Policy, aimed at controlling and mitigating the possible risks identified, were as follows:

- Existence of a regulatory system, people, means and systems to be able to develop a continuous process of identification, quantification, mitigation and information regarding all relevant risks that might affect the Company.

- Ensure the adequate unbundling of functions, together with the coordination mechanisms between the different risk control areas and systems.

- The risks must be in line with the strategy, objectives and critical values of ENDESA, S.A., ensuring the adaptation of the risk levels to the objectives and limits set by the Board of Directors.

- Optimisation of risk control and management from a consolidated perspective, giving the latter priority over the individual management of each of the risk.

- Continual assessment of hedging, transference and mitigation mechanisms to guarantee their suitability and the adoption of the best market practices.

- On-going monitoring of the prevailing legislation, including tax provisions, to guarantee that transactions are performed in accordance with the rules governing the business.

- Respect for and compliance with internal regulations, with a special focus on Regulatory Compliance, Corporate Governance and provisions for the Prevention of Criminal and Anti-Bribery Risks, in particular, the Code of Ethics and the Zero Tolerance Plan Against Corruption.

- Security is the number one value of ENDESA in all the actions that must preserve the health and safety of the people who work for and at ENDESA, S.A.

- Commitment to sustainable development, efficiency and respect for the environment and human rights.

- Responsible optimisation of the use of available resources, in order to provide profitability for our shareholders as part of a relationship based on the principles of loyalty and transparency.

The General Risk Control and Management Policy is implemented and supplemented with other specific risk policies of business lines, staff and service functions, as well as with the limits established for optimum risk management in each one of them.

The Internal Control and Risk Management System (SCIGR) complies with a model based, firstly, on the ongoing study of the risk profile, applying the current best practices in the energy sector or benchmark practices in risk management, on criteria to standardise measurements within the same risk type, on the separation of risk managers and risk officers and, secondly, on ensuring that the risk assumed is proportional to the resources required to operate the businesses, always optimising the risk-return ratio, as determined by the Board of Directors of ENDESA, S.A..

The risk control and management process consists of identifying, assessing, monitoring and managing the different risks over time, and envisages the main risks to which the Company is exposed, both endogenous (due to internal factors) and exogenous (due to external factors). The purpose of risk management is to implement actions aimed at adjusting risk levels to optimum levels and respecting the limits set in all cases.

The risk control and management 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 floating 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 to reduce the amount of borrowings subject to interest rate fluctuations is obtained through the arrangement of specific hedging transactions, generally through the use of interest rate derivatives. In any case, the structure of the contracts adapts to that of the underlying financial instrument, and 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 2021, the Company had arranged interest rate hedges amounting to Euro 1,497 million (Euro 847 million at 31 December 2020).

The Company has set up a current account loan agreements with ENDESA Financiación Filiales, S.A.U. in euros, setting forth an interest rate that is applicable to the balances receivable and payable on the current account equal to the average cost of gross debt to ENDESA in Spain (or any other that may replace it in the future), as determined in the month immediately prior to the interest period concerned, which may be reviewed, as appropriate, depending on the real rate at the end of the interest period. Also, on 31 December 2020, the Company took out a current account loan agreement with ENDESA Financiación Filiales, S.A.U. in US dollars (USD), maturing on 1 October 2023. This current account in US dollars (USD) was cancelled on 4 April 2021.

ENDESA, S.A.'s interest rate risk structure, taking into account the derivatives arranged, at 31 December 2021 and 2020, is as follows.

Millions of Euros

	Net position	
	31 December 2021	31 December 2020
Fixed interest rate	4,498	3,862
Floating interest rate	6,242	5,647
TOTAL	**10,740**	**9,509**

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

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

Analysis of interest-rate sensitivity

In 2021 and 2020, the impact of interest-rate fluctuations on the income statement and statement of recognised income and expense, all other variables remaining constant, was as follows.

Millions of Euros

	Basis points change	2021		2020	
		Income statement	Statement of recognised income and expense	Income statement	Statement of recognised income and expense
Financial expenses of variable gross borrowings after derivatives					
Interest rate increase	+25	16	-	17	-
Interest rate reduction	-25	(16)	-	(17)	-
Fair value of derivative hedging instruments					
Fair value					
Interest rate increase	+25	(5)	-	-	-
Interest rate reduction	-25	4	-	-	-
Cash flow					
Interest rate increase	+25	-	11	-	8
Interest rate reduction	-25	-	(9)	-	(5)

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 strives to balance cash collections and payments for its assets and liabilities denominated in foreign currency.

At 31 December 2021 and 2020, ENDESA, S.A. did not have a significant portion of debt in foreign currency or that was not hedged by derivatives and exchange rate insurance policies.

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

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

Analysis of exchange rate sensitivity

In 2021 and 2020, the impact on the income statement and statement of recognised income and expense of a 10% fluctuation of the euro against all other currencies, other variables remaining constant, was not significant.

13.3. Liquidity risk

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

At 31 December 2021, ENDESA, S.A.'s liquidity rose to Euro 5,195 million (Euro 4,220 million at 31 December 2020) as detailed below:

Millions of Euros

	Liquidity	
	31 December 2021	31 December 2020
Cash and cash equivalents	378	130
Freely available on credit facilities (1)	4,817	4,090
TOTAL	**5,195**	**4,220**

(1) At 31 December 2021 and 2020, Euro 1,700 million were accounted for by the committed irrevocable lines of credit arranged with ENEL Finance International, N.V. (see Note 12.2).

The amount of these lines of credit, 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 ENDESA Group and therefore, it is exposed to limited credit risk.

Despite this, 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 2021, the greatest exposure to cash positions held with a counterparty was Euro 252 million, of a total of Euro 378 million, with this counterparty having a rating of BBB+ (Euro 102 million of a total of Euro 130 million at 31 December 2020, with this counterparty having 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 rate and foreign currency hedging derivatives.

The Company classifies its coverage in the cash flow hedges category, which are those that enable the cash flows of the hedged underlying to be covered in the category of fair value hedges, which are those that cover exposure to the changes in the fair value of recognised assets and liabilities.

At 31 December 2021 and 2020, the details of the breakdown of the balances including the valuation of derivative financial instruments at those dates were as follows:

Millions of Euros

	31 December 2021			
	Assets (Note 8)		Liabilities (Note 12)	
	Current	Non-current	Current	Non-current
Hedging derivatives	**-**	**7**	**-**	**13**
Interest-rate hedges	-	7	-	13
Cash flow hedges	-	1	-	12
Fair value hedges	-	6	-	1
TOTAL	**-**	**7**	**-**	**13**

Millions of Euros

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

Cash flow and fair value hedges

At 31 December 2021 and 2020, the details of the derivatives designated as hedging instruments for accounting purposes arranged by the Company, their fair value and the breakdown by maturity of the notional or contractual values were as follows:

Millions of Euros

	31 December 2021							
	Fair value	Notional amount						
		2022	2023	2024	2025	2026	Subsequent years	Total
INTEREST RATE HEDGES								
Cash flow hedges:	**(11)**	**-**	**-**	**-**	**-**	**-**	**985**	**985**
Interest rate:	(11)	-	-	-	-	-	985	985
Swaps	(11)	-	-	-	-	-	985	985
Fair value hedges:	**5**	**-**	**-**	**-**	**500**	**-**	**12**	**512**
Swaps	5	-	-	-	500	-	12	512
TOTAL	**(6)**	**-**	**-**	**-**	**500**	**-**	**997**	**1,497**

Millions of Euros

	31 December 2020							
	Fair value	Notional amount						
		2021	2022	2023	2024	2025	Subsequent years	Total
COMMODITY PRICE HEDGES								
Cash flow hedges:	**(34)**	**-**	**-**	**-**	**-**	**-**	**835**	**835**
Interest rate:	(34)	-	-	-	-	-	835	835
Swaps	(34)	-	-	-	-	-	835	835
Fair value hedges:	**7**	**-**	**-**	**-**	**-**	**-**	**12**	**12**
Swaps	7	-	-	-	-	-	12	12
TOTAL	**(27)**	**-**	**-**	**-**	**-**	**-**	**847**	**847**

In 2021, "Equity" in the statement of recognised income and expense included Euro 16 million of increased equity (Euro 24 million of reduced equity in 2020) and the “Transfer to the income statement” heading of the aforementioned statement includes the amount allocated to the income statement for an increased amount of Euro 8 million under "Financial expenses" (Euro 7 million in 2020).

Derivatives not designated as hedging instruments

At 31 December 2021 and 2020, the fair value and the breakdown, by maturity, of the notional or contractual amounts of derivatives not designated for accounting purposes as hedging instruments arranged by the Company, were as follows:

Millions of Euros

	31 December 2021							
	Fair value	Notional amount						
		2022	2023	2024	2025	2026	Subsequent years	Total
Commodity price hedges:	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Foreign currency:	-	-	-	-	-	-	-	-
Futures	-	-	-	-	-	-	-	-

Millions of Euros

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

15. Taxation.

In 2021 and 2020, the Company filed consolidated tax returns as required under Income Tax Law 27/2014, of 27 November. The Company forms part of tax group 572/10, of which ENEL S.p.A. is the Parent and ENEL Iberia, S.L.U. the representative in Spain.

At 31 December 2021 and 2020, the credit with ENEL Iberia, S.L.U. for income tax expense amounted to Euro 56 million and Euro 76 million and was recognised under "Current investment with Group companies and associates" in the accompanying statement of financial position (see Notes 8.1.2, 15.9 and 18.2).

In 2021, the amount of income tax resulted in income of Euro 60 million in the statement of income (Euro 83 million of income in 2020) and a directly attributed expense of Euro 6 million in equity (income of Euro 6 million in 2020).

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

15.1. Reconciliation between accounting profit and taxable income

The reconciliation between accounting profit and tax loss in 2021 and 2020 is as follows.

Millions of Euros

2021	Income statement			Income and expenses recognised directly in equity			Reserves		
	Increases	Decreases	Total	Increases	Decreases	Total	Increases	Decreases	Total
Accounting profit after income tax			**581**			**20**			**-**
Income tax for the year			(60)			6			-
Accounting profit/(loss) before tax			**521**			**26**			**-**
Permanent differences	23	(701)	(678)	-	-	-	-	-	-
Temporary differences	14	(67)	(53)	-	(26)	(26)	-	-	-
Originating in the year	14	-	14	-	(18)	(18)	-	-	-
Originating in previous years	-	(67)	(67)	-	(8)	(8)	-	-	-
Taxable income			**(210)**			**-**			**-**

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/(loss) before tax			**2,247**			**(24)**			**-**
Permanent differences	57	(2,592)	(2,535)	-	-	-	-	-	-
Temporary differences	127	(100)	27	31	(7)	24	-	-	-
Originating in the year	127	-	127	31	-	31	-	-	-
Originating in previous years	-	(100)	(100)	-	(7)	(7)	-	-	-
Taxable income			**(261)**			**-**			**-**

2021

The increases in permanent differences in 2021 relate to differences in valuation rules amounting to Euro 15 million, to donations and gifts totalling Euro 7 million and to the loss arising as a result of the impairment on the value of the investees in the amount of Euro 1 million. The decreases were due to the application of the exemption of 95% to avoid double taxation on dividends received from Group companies and associates, in the amount of Euro 701 million (see Note 16.1).

The increases due to temporary differences reflect non-current employee provisions and workforce restructuring plans for Euro 12 million, and other provisions that are not deductible for tax purposes, in the amount of Euro 2 million. Decreases are due to the application of non-current provisions for employees in the amount of Euro 58 million, to the reversal of non-deductible provisions in prior years in the amount of Euro 8 million and to differences between tax and accounting amortisation in the amount of Euro 1 million.

2020

The increases due to permanent differences in 2020 related to donations and gifts amounting to Euro 28 million, to differences in valuation rules amounting to Euro 15 million, to provisions for contingencies and non-deductible expenses for Euro 12 million, to the loss arising from the impairment of the investees amounting to Euro 1 million and to other non-deductible expenses amounting to Euro 1 million. The decreases were due mainly to the application of the exemption to avoid double taxation on dividends received from Group companies and associates, in the amount of Euro 2,585 million (see Note 16.1), to the exemption on the gains obtained from the settlement of companies in which the Company participates for Euro 4 million, to the reversal of provisions for equity instruments in the amount of Euro 1 million and to other non-deductible income amounting to Euro 2 million.

The increases due to temporary differences reflected non-current employee provisions and workforce restructuring plans for Euro 121 million and other provisions that are not deductible for tax purposes, in the amount of Euro 6 million. Decreases were due to the application of non-current provisions for employees and for workforce restructuring costs in the amount of Euro 89 million, to the reversal of non-deductible provisions in prior years in the amount of Euro 9 million and to differences between tax and accounting amortisation in the amount of Euro 2 million.

15.2. Reconciliation between tax payable and income tax expense

In 2021 and 2020, the reconciliation between the tax payable and the income tax expense was as follows:

Millions of Euros

	2021	2020
Taxable income	**(210)**	**(261)**
Income statement	(210)	(261)
Total taxable income	**(210)**	**(261)**
Tax rate	25.0	25.0
Tax payable	**(53)**	**(65)**
Application of tax credits and rebates	(3)	(11)
Effective tax	**(56)**	**(76)**
Net tax effect, due to temporary differences	20	(13)
Prior years' adjustments and other	(18)	-
Income tax for the year	**(54)**	**(89)**
Income tax expense through profit and loss	(60)	(83)
Income tax in equity	6	(6)

Prior years' adjustments relate mainly to the adjustment of deferred taxes and to the effect of the income tax expense settlement of the preceding year.

15.3. Deductions and rebates

In 2021, the Company applied credits and rebates for Euro 3 million, corresponding to credits for contributions to entities regulated by Law 49/2002, of 23 December (Euro 11 million in 2020). Of the credits confirmed in 2021, the Company applied Euro 3 million for contributions to entities regulated by Law 49/2002, of 23 December (Euro 11 million in 2020).

Likewise, in 2021 and 2020, no prior years' credits were taken.

15.4. Reconciliation of accounting profit to the income tax expense

In 2021 and 2020, the reconciliation of accounting profit to the income tax expense was as follows:

Millions of Euros

	2021		
	Income statement	Income and expenses directly recognised in equity	Recognised income and expense
Accounting profit/(loss) before tax	**521**	**26**	**547**
Permanent differences	**(678)**	**-**	**(678)**
Total adjusted profit/(loss)	**(157)**	**26**	**(131)**
Tax rate of 25%	**(39)**	**6**	**(33)**
Tax credits	**(3)**	**-**	**(3)**
Charitable gifts and patronage	(3)	-	(3)
Previous years' adjustments and other	(18)	**-**	**(18)**
Total income tax expense	**(60)**	**6**	**(54)**

Millions of Euros

	2020		
	Income statement	Income and expenses directly recognised in equity	Recognised income and expense
Accounting profit/(loss) before tax	**2,247**	**(24)**	**2,223**
Permanent differences	**(2,535)**	**-**	**(2,535)**
Total adjusted profit/(loss)	**(288)**	**(24)**	**(312)**
Tax rate of 25%	**(72)**	**(6)**	**(78)**
Tax credits	**(11)**	**-**	**(11)**
Charitable gifts and patronage	(11)	-	(11)
Total income tax expense	**(83)**	**(6)**	**(89)**

15.5. Details of the income tax expense

In 2021 and 2020, the breakdown of the income tax expense was as follows:

Millions of Euros

	2021				
	Current tax	Change in deferred tax			Total
		Assets		Liabilities	
		Temporary differences	Other credits	Temporary differences	
Recognition in profit and loss, of which:	**(56)**	**14**	**-**	**-**	**(42)**
Continuing operations	(56)	14	-	-	(42)
Recognition in equity, of which:	**-**	**6**	**-**	**-**	**6**
Cash flow hedges	-	6	-	-	6
Previous years' adjustments and other	**1**	**(1)**	**-**	**(18)**	**(18)**
Total	**(55)**	**19**	**-**	**(18)**	**(54)**

Millions of Euros

	2020				
	Current tax	Change in deferred tax			Total
		Assets		Liabilities	
		Temporary differences	Other credits	Temporary differences	
Recognition in profit and loss, of which:	**(76)**	**(7)**	**-**	**-**	**(83)**
Continuing operations	(76)	(7)	-	-	(83)
Recognition in equity, of which:	**-**	**(6)**	**-**	**-**	**(6)**
Cash flow hedges	-	(4)	-	-	(4)
Actuarial gains and losses and other adjustments	-	(2)	-	-	(2)
Previous years' adjustments and other	**(1)**	**1**	**-**	**-**	**-**
Total	**(77)**	**(12)**	**-**	**-**	**(89)**

15.6. Deferred tax assets

At 31 December 2021 and 2020, the origin of the deferred tax assets recognised in the accompanying statement of financial position was as follows:

Millions of Euros

Deferred tax assets arising from	31 December 2021	31 December 2020
Provisions for long-term employee benefits and workforce restructuring plans	88	99
Other provisions	20	22
Hedging derivatives	3	9
Total	**111**	**130**

In 2021 and 2020, the movements under "Deferred tax assets" in the accompanying statement of financial position were as follows:

Millions of Euros

	2021			2020		
	Temporary differences	Deductions pending	Total	Temporary differences	Deductions pending	Total
Opening balance	**130**	**-**	**130**	**118**	**-**	**118**
Temporary differences originating in the year	3	-	3	31	-	31
Application of temporary differences originating in previous years	(17)	-	(17)	(24)	-	(24)
Changes recognised in equity	(6)	-	(6)	6	-	6
Previous years' adjustments and other	1	-	1	(1)	-	(1)
Closing balance	**111**	**-**	**111**	**130**	**-**	**130**

At 31 December 2021, the Company held deferred tax assets in the amount of Euro 111 million (Euro 130 million at 31 December 2020), most of which is expected to be recovered within a 10-year period. For those expected to be recovered over a longer period, the Company's tax consolidation group has deferred tax liabilities with the same tax authority and for a sufficient amount, which is expected to be reversed in the same tax year as the aforementioned deferred tax assets.

The Company has no unused tax loss carryforwards.

At 31 December 2021 and 2020, the Company did not have any tax credits applicable in future years relating to deductions not taken in prior years.

The information relating to the deductions applied in 2021 and 2020 is included in Note 15.3.

15.7. Deferred tax liabilities.

At 31 December 2021 and 2020, the origin of the deferred tax liabilities recognised in the accompanying statement of financial position was as follows:

Millions of Euros

Deferred tax liabilities arising from	31 December 2021	31 December 2020
Other	16	34
Total	**16**	**34**

In 2021 and 2020, the movements under "Deferred tax liabilities" in the accompanying statement of financial position were as follows:

Millions of Euros

	2021	2020
Opening balance	**34**	**34**
Previous years' adjustments and other	(18)	-
Closing balance	**16**	**34**

15.8. Payables to public administrations

The Company did not have any receivables from public administrations at 31 December 2021 (Euro 1 million at 31 December 2020) corresponding to the value added tax (VAT).

Details of the payables to public administrations at 31 December 2021 and 2020 were as follows:

Millions of Euros

	31 December 2021	31 December 2020
Spanish personal income tax (IRPF) payable	3	3
Payables to social security bodies	3	3
TOTAL LIABILITIES	**6**	**6**

15.9. Balances with Group companies.

At 31 December 2021 and 2020, the Company recognised an income tax expense credit for the current year with ENEL Iberia, S.L.U., for Euro 56 million and Euro 76 million under "Current loans to Group companies and associates" in the accompanying statement of financial position, as per the following breakdown (see Notes 8.1.2 and 18.2):

Millions of Euros

	31 December 2021	31 December 2020
Tax payable	(53)	(65)
Tax credits	(3)	(11)
TOTAL	**(56)**	**(76)**

At 31 December 2021 and 2020, there was no income tax expense credit with ENEL Iberia, S.L.U. for the previous year (see Notes 8.1.2 and 18.2).

At 31 December 2021, the debt with 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 Euro 13 million (Euro 8 million at 31 December 2020) (See Notes 12.2 and 18.2).

15.10. Years open to tax inspection

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected and agreed by the tax authorities or before the inspection period of four years has elapsed. At year-end 2021, the Company had its books open for administrative inspection for 2006, 2019 and onwards with respect to income tax and for 2019 and onwards in respect of all other applicable taxes.

The Company's directors consider that the aforementioned taxes have been adequately 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 Chapter VII, Title VII, of Income Tax Law 27/2014, of 27 November

The notes to the Company's financial statements for 1999 to 2020 include the information required by article 86 of Law 27/2014, of 27 November, on corporate restructuring operations carried out in previous years

16. Profit/(loss).

The amounts relating to 2021 and 2020 recognised under the Company's main income and expense headings are detailed below:

16.1. Revenue

In 2021 and 2020, the details of "Revenue" in the accompanying income statement, by activity and geographical market, were as follows:

Millions of Euros

2021	Note	Spain	Other EU	Rest	Total
Provision of services	18.1	263	3	-	266
Dividend income from Group companies and associates	8.1.1 and 18.1	737	-	-	737
TOTAL		**1,000**	**3**	**-**	**1,003**

Millions of Euros

2020	Note	Spain	Other EU	Rest	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
TOTAL		**2,862**	**3**	**1**	**2,866**

"Dividend income from Group companies and associates" includes dividends distributed by the Group companies detailed in Note 8.1.1, as shown below:

Millions of Euros

Company	2021	2020
ENDESA Red, S.A.U.	649	1,510
ENDESA Financiación Filiales, S.A.U.	88	139
ENDESA Energía, S.A.U.	-	933
ENDESA Capital, S.A.U.	-	3
TOTAL	**737**	**2,585**

16.2. Personnel expenses.

In 2021 and 2020 , the details of "Personnel expenses" in the accompanying income statement were as follows:

Millions of Euros

	Note	2021	2020
Wages and salaries		**111**	**111**
Termination benefits		**1**	**8**
Other employee benefits		**28**	**38**
Social security costs		19	20
Other		9	18
Provisions		**14**	**82**
Non-current employee benefit provisions		10	(14)
Provisions for collective redundancy procedures	11.2.1	-	(13)
Provisions for contract suspensions	11.2.2	4	109
TOTAL		**154**	**239**

16.3. Other operating expenses.

In 2021 and 2020, the details of "Other operating expenses" in the accompanying income statement were as follows:

Millions of Euros

	Note	2021	2020
External services		**98**	**105**
Leases and levies	7.1	8	9
Other repairs and upkeep costs		1	1
Independent professional services		19	21
Banking and similar services		1	1
Advertising and public relations		11	14
Other external services		58	59
Taxes other than income tax		-	**6**
Other current operating expenses		67	**78**
TOTAL		**165**	**189**

In 2021, “Leases and royalties” includes expenses relating to contracts of these characteristics, arranged with Group companies for Euro 7 million (Euro 8 million in 2020) (see Note 18.1).

In 2021 “Other external services” also includes other services received from Group companies and associates in the amount of Euro 41 million (Euro 42 million in 2020) (see Note 18.1) to pass on the costs of overheads, auxiliary and other general service expenses.

In 2020, “Other current operating expenses” included Euro 24 million of expenses arising from the contributions made by the Company within the Public Responsibility Plan created in 2020 in the context of the COVID-19 healthcare crisis, as part of ENDESA, S.A.'s commitment to society.

16.4. Financial income and expenses.

In 2021 and 2020, the details of financial income and expenses in the accompanying income statement are as follows:

Millions of Euros

	Note	2021	2020
Financial income		**20**	**5**
From marketable securities and other non-current credits		20	5
Interest from loans to third parties		20	5
Loans and credits		17	4
Expected return on defined benefit plan assets	11.1	1	1
Obligations for workforce restructuring plans		2	-
Contract suspensions	11.2.2	2	-
Financial expenses		**151**	**(178)**
Interest on debts to Group companies and associates	18.1	129	(159)
Interest on debts to third parties		21	(15)
Provision adjustments		1	(4)
Non-current employee benefit obligations		1	(2)
Provisions for pensions and other similar provisions	11.1	1	(2)
Contract suspensions	11.2.2	-	(2)

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

17.1. Guarantees to third parties and other contingent liabilities

At 31 December 2021 and 2020, ENDESA, S.A. provided the following guarantees and collateral (see Note 18.2):

Millions of Euros

Company	Purpose of guarantee	31 December 2021	31 December 2020
ENDESA Generación, S.A.U.	Long-term gas contracts	53	49
ENDESA Energía, S.A.U.	Gas contracts	132	66
ENDESA Generación, S.A.U.	Producción de Energía Eléctrica de Elecgas, S.A. (“Tolling”)	353	372
ENDESA Generación, S.A.U.	Energy contracts	81	33
Tauste Energía Distribuida, S.L.	Financing	-	18
Explotaciones Eólicas Santo Domingo de Luna, S.A.	Financing	21	21
Nuclenor, S.A.	Insurance	7	7
ENDESA X Servicios, S.L.U.	Equipment Supply Contracts	8	-
Group companies	Workforce restructuring plans	13	20
Other Group companies	Other commitments	3,420	2,763
ENEL Green Power España, S.L.U. (EGPE)		1,370	1,239
ENDESA Energía, S.A.U.		1,244	873
ENDESA Generación, S.A.U.		149	119
Energía XXI Comercializadora de Referencia, S.L.U.		166	121
Edistribución Redes Digitales, S.L.U.		104	90
Gas y Electricidad Generación, S.A.U.		32	32
Empresa Carbonífera del Sur, S.A.U.		11	16
ENDESA INGENIERÍA, S.L.U.		7	14
Unión Eléctrica de Canarias Generación, S.A.U.		13	13
Other		324	246
TOTAL		**4,088**	**3,349**

ENDESA, S.A.’s management does not expect that its status as guarantor will 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. signed both agreements with ENEL Global Trading, S.P.A. and ENDESA Energía, S.A.U., under which it will transfer to the latter gas of 1 bcm/year and 2 bcm/year, respectively, acquired in accordance with the contract, under the same terms and conditions as 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 Euro 121 million at 31 December 2021 and Euro 112 million at 31 December 2020) to comply with this contract (see Note 18.2).

18. Related party transactions.

In 2021 and 2020, the directors, or persons acting on their behalf, did not carry out any transactions with the Company (or its other subsidiaries) that were not part of their normal business activities or that were not carried out on an arm's length basis.

The amount of the transactions carried out with other parties related to certain members of the Board of Directors corresponds to the Company's normal business activities which were, in all cases, carried out on an arm's length basis.

Related party transactions in 2021 and 2020 formed part of the Company's ordinary business activities and were performed on an arm's length basis.

18.1. Related party transactions.

In 2021 and 2020 , the details of the transactions performed with related parties were as follows:

Millions of Euros

		2021					
	Note	Significant shareholders	Directors and executives (Note 18.3)	Group companies	Associates	Other related parties	Total
Financial expenses	16.4	-	-	(129)	-	-	(129)
Leases	16.3	-	-	(7)	-	-	(7)
Services received	16.3	(7)	-	(34)	-	-	(41)
Other expenses		-	-	2	-	-	2
Exchange gains/(losses)		-	-	2	-	-	2
TOTAL EXPENSES		**(7)**	**-**	**(168)**	**-**	**-**	**(175)**
Dividends received	8.1.1 and 16.1	-	-	737	-	-	737
Rendering of services	16.1	1	-	265	-	-	266
TOTAL INCOME		**1**	**-**	**1,002**	**-**	**-**	**1,003**
Dividends and other distributions	**3**	**1,494**	**-**	**-**	**-**	**-**	**1,494**
Other transactions: Purchase of intangible assets	**5**	**-**	**-**	**21**	**-**	**-**	**21**

Millions of Euros

		2020					
	Note	Significant shareholders	Directors and executives (Note 18.3)	Group companies	Associates	Other related parties	Total
Financial expenses	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)
Changes in fair value of financial instruments		-	-	1	-	-	1
TOTAL EXPENSES		**(7)**	**-**	**(209)**	**-**	**(8)**	**(224)**
Dividends received	8.1.1 and 16.1	-	-	2,585	-	-	2,585
Rendering of services	16.1	1	-	280	-	-	281
Impairment losses and investment income in Group companies and associates	8.1 and 16.2	-	-	4	-	-	4
Other revenue		-	-	6	-	-	6
TOTAL INCOME		**1**	**-**	**2,875**	**-**	**-**	**2,876**
Dividends and other distributions	**3**	**1,095**	**-**	**-**	**-**	**-**	**1,095**
Other transactions: Purchase of intangible assets	**5**	**-**	**-**	**19**	**-**	**-**	**19**

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) through which it transfers, under the same conditions, the purchases made by the Company from Christi Liquefaction, LLC to execute the aforementioned contracts (see Note 17.2). This arrangement is considered to be an intermediation and is netted in the income statement under "Procurements". In 2021, the amount was Euro 744 million (Euro 544 million in 2020).

18.2. Balances with related parties

At 31 December 2021 and 2020, the balances with related parties recognised in the accompanying statement of financial position were as follows:

Millions of Euros

	Note	31 December 2021					
		Significant shareholders	Directors and executives (Note 18.3)	Group companies	Associates	Other related parties	Total
Non-current financial investments	8	**-**	**-**	**18,924**	**-**	**-**	**18,924**
Equity instruments		-	-	18,924	-	-	18,924
Trade and other receivables		**3**	**-**	**165**	**-**		**168**
Current financial investments	8	**56**	**-**	**14**	**-**	**-**	**70**
Loans to companies		56	-	14	-	-	70
Non-current debts	12	**-**	**-**	**(4,835)**	**-**	**-**	**(4,835)**
Non-current debts to Group companies and associates		-	-	(4,835)	-	-	(4,835)
Current debts	12	**(385)**	**-**	**(39)**	**(6)**	**-**	**(430)**
Current debts to Group companies and associates		(13)	-	(29)	(6)	-	(48)
Other financial liabilities		(372)	-	(10)	-	-	(382)
Trade and other payables		**(9)**	**-**	**(24)**	**-**	**-**	**(33)**
Guarantees received	17.2 and 18.3	**121**	**-**	**-**	**-**	**-**	**121**
Guarantees provided	17.1 and 18.3	**-**	**7**	**4,074**	**7**	**-**	**4,088**
Financing agreements	18.3	**-**	**1**	**-**	**-**	**-**	**1**

Millions of Euros

	Note	31 December 2020					
		Significant shareholders	Directors and executives (Note 18.3)	Group companies	Associates	Other related parties	Total
Non-current financial investments	8	**-**	**-**	**18,878**	**-**	**-**	**18,878**
Equity instruments		-	-	18,878	-	-	18,878
Trade and other receivables		**3**	**-**	**179**	**-**	**2**	**184**
Current financial investments	8	**76**	**-**	**343**	**-**	**-**	**419**
Loans to companies		76	-	12	-	-	88
Other financial assets		-	-	331	-	-	331
Non-current debts	12	**-**	**-**	**(6,303)**	**-**	**-**	**(6,303)**
Non-current debts to Group companies and associates		-	-	(6,303)	-	-	(6,303)
Current debts	12	**(528)**	**-**	**(55)**	**(21)**	**-**	**(604)**
Current debts to Group companies and associates		(8)	-	(45)	(21)	-	(74)
Other financial liabilities		(520)	-	(10)	-	-	(530)
Trade and other payables		**(5)**	**-**	**(29)**	**-**	**-**	**(34)**
Guarantees received	17.2 and 18.3	**112**	**-**	**-**	**-**	**-**	**112**
Guarantees provided	17.1 and 18.3	**-**	**7**	**3,342**	**7**	**-**	**3,356**
Financing agreements	18.3	**-**	**1**	**-**	**-**	**-**	**1**

At 31 December 2021, ENDESA, S.A. had a committed irrevocable intercompany credit facility with ENEL Finance International, N.V. for the sum of Euro 1,700 million (two committed and irrevocable intercompany credit facilities in the amount of Euro 1,700 million for both lines at 31 December 2020). No amount had been drawn on these credit facilities at 31 December 2021 and 2020 (see Note 12.2).

18.3. Information on directors and senior management.

18.3.1. Remuneration of the board of directors.

Article 40 of the corporate bylaws states that *"the remuneration of the 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 accounting 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.

The amount of said per diem shall be, at the most, the amount which, in accordance with the above paragraphs, is determined to be the fixed monthly allocation. The Board of Directors may, within this limit, establish the amount of the per diems.

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 advisory or representation executive 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 remuneration, 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.

Members of the Board of Directors of ENDESA, S.A. therefore received remuneration in their capacity as Directors of the Company.

- In 2021 and 2020, the monthly fixed salary for each director was Euro 15.6 thousand gross.
- The fees to attend meetings of the Board of Directors, Appointments and Remuneration Committee, Audit and Compliance Committee and Sustainability and Corporate Governance Committee, amounted to Euro 1.5 thousand gross per meeting in 2021 and 2020.
- In addition to the remuneration established for the members of the Board of Directors, the following remuneration criteria shall be applicable to the posts indicated:
    - Non-executive Chairman of the Board of Directors: shall receive a fixed monthly remuneration of Euro 50,000 (gross) (rather than the fixed monthly remuneration of Euro 15,642.56 (gross) provided for the other members).
    - Chairman of the Audit and Compliance Committee: shall receive a monthly fixed remuneration of Euro 3,000 (gross) (in addition to the monthly fixed remuneration as member).
    - Chairmen of the Appointments and Remuneration Committee and of the Sustainability and Corporate Governance Committee: shall receive a monthly fixed remuneration of Euro 2,000 (gross) (in addition to the monthly fixed remuneration as member).

– Coordinating Director: shall receive a monthly fixed remuneration of Euro 2,083 (gross) (in addition to the monthly fixed remuneration as member)[1].

– The members of the Board of Directors and executive directors receive remuneration for performing duties other than in their capacity as directors in accordance with the salary structure of senior management of ENDESA. The main components of this remuneration are:

  – Fixed annual remuneration: cash remuneration paid monthly in accordance with the complexity and responsibility of the functions entrusted.

  – Short-term variable remuneration: cash remuneration that is not guaranteed, subject to compliance with annual targets established through the Company's assessment systems.

  – Long-term variable remuneration: cash remuneration that is not guaranteed, subject to compliance with multi-year targets.

  – Social and other benefits: remuneration (normally non-cash), received in accordance with certain special conditions or requirements determined voluntarily, legally, contractually or through collective bargaining.

The remuneration accrued by the directors in 2021 and 2020 was as follows:

Thousands of Euros

Item	Directors Amount	
	2021	2020
Remuneration for belonging to the Board of Directors and/or Board committees	2,235	2,244
Salaries	960	929
Variable remuneration in cash	848 (1)	1,141 (2)
Share-based payment plans	173 (3)	86 (4)
Indemnities	-	-
Long-term savings systems	29	485
Other items 85)	127	99
TOTAL	**4,372**	**4,984**

(1) Relating to the short-term variable remuneration accrued and to the long-term variable remuneration accrued for a third of the 2019-2021 Loyalty Plan and a third of the Strategic Incentive Plans for 2020-2022 and 2021-2023. The amount paid in this regard totalled Euro 1,016 thousand, relating to the short-term variable remuneration (Euro 520 thousand) and to the long-term variable remuneration (Euro 496 thousand relating to 70% of the 2017-2019 Loyalty Plan and to 30% of the 2018-2020 Loyalty Plan).

(2) Relating to the short-term variable remuneration accrued and to the long-term variable remuneration accrued for a third of the 2018-2020 and 2019-2021 Loyalty Plans and a third of the 2020-2022 Strategic Incentive Plan. The amount paid in this regard totalled Euro 1,300 thousand, and related to the short-term variable remuneration (Euro 571 thousand) and to the long-term variable remuneration (Euro 729 thousand relating to 30% of the 2017-2019 Loyalty Plan and to 70% of the 2016-2018 Loyalty Plan).

(3) Relating to the long-term variable remuneration accrued for a third of the 2020-2022 Strategic Incentive Plan and a third of the 2021-2023 Strategic Incentive Plan.

(4) Relating to the long-term variable remuneration accrued for a third of the 2020-2022 Strategic Incentive Plan.

(5) Includes remuneration in kind and life insurance.

[1] Once the term of office of Mr. Miquel Roca Junyent had expired, at the last General Meeting held on 30 April 2021, the Board of Directors approved, at the proposal of the Appointments and Remuneration Committee, the non-renewal of the position of Coordinating Director in view of the independent status of the Chairman of the Board of Directors.

Remuneration for membership on the Board of Directors and/or Board Committees and wages.

Details of the annual cash remuneration received by the members of the Board of Directors, based on the post held, in 2021 and 2020 are as follows.

Miles de Euros

	2021			2020		
	Remuneration for belonging to the board of directors and/or board committees	Per diems (2)	Salaries	Remuneration for belonging to the board of directors and/or board committees	Per diems (2)	Salaries
Mr. Juan Sánchez-Calero Guilarte	624	29	-	604	21	-
Mr. José Bogas Gálvez	-	-	960	-	-	929
Mr. Francesco Starace	-	-	-	-	-	-
Mr. Alejandro Echevarría Busquet (1)	62	7	-	188	38	-
Mr. Alberto de Paoli	-	-	-	-	-	-
Ms. Helena Revoredo Delvecchio	-	-	-	7	-	-
Mr. Miquel Roca Junyent (1)	71	16	-	221	47	-
Mr. Ignacio Garralda Ruiz de Velasco	211	33	-	200	43	-
Mr. Francisco de Lacerda	224	43	-	191	43	-
Ms. Maria Patrizia Grieco	188	27	-	188	21	-
Mr. Antonio Cammisecra	-	-	-	-	-	-
Ms. Eugenia Bieto Caubet	188	50	-	123	24	-
Ms. Pilar González de Frutos	188	50	-	123	24	-
Ms. Alicia Koplowitz y Romero de Juseu	188	36	-	123	15	-
TOTAL	**1,944**	**291**	**960**	**1,968**	**276**	**929**

(1) Left on 30 April 2021.
(2) Attendance fees for each of the meetings of the Board of Directors and its Committees correspondent to ENDESA, S.A.

Variable remuneration in cash.

The variable remuneration accrued in 2021 and 2020 by the Chief Executive Officer, for performing his executive tasks, was as follows:

Thousands of Euros

	2021		2020	
	Current	Non-current	Current	Non-current
Mr José Bogas Gálvez	520	328	571	570
TOTAL	**520**	**328** (1)	**571**	**570** (2)

(1) Relating to the long-term variable remuneration in cash accrued for a third of the 2019-2021 Loyalty Plans and a third of the Strategic Incentive Plans for 2020-2022 and 2021-2023. The amount paid in this regard totalled Euro 496 thousand (30% of the 2018-2020 Loyalty Plan and 70% of the 2017-2019 Loyalty Plan).
(2) Relating to the long-term variable remuneration in cash accrued for a third of the 2018-2020 and 2019-2021 Loyalty Plans and a third of the 2020-2022 Strategic Incentive Plan. The amount paid in this regard totalled Euro 729 thousand (30% of the 2017-2019 Loyalty Plan and 70% of the 2016-2018 Loyalty Plan).

Long-term savings systems.

During 2021, the contribution to funds and pension plans of the Executive Director totalled Euro 29 thousand (Euro 485 thousand in 2020).

Other items.

The Executive Director and the Chairman, in accordance with ENDESA's Directors' Remuneration Policy, have established as remuneration in kind, among others, a collective health care policy with a subsidy of 100% of the cost of the quota for the holder and dependent family members, the allocation of a company car under a leasing scheme, as well as other social benefits and per diems in the case of the Executive Director.

Life and accident insurance premiums.

The Executive Director has a life and accident insurance policy that guarantees certain capital and/or income, according to the contingency in question (death and disability coverage).

In 2021, the premium totalled Euro 71 thousand (Euro 40 thousand in 2020).

Advances and loans

At 31 December 2021 and 2020, the Executive Director had loans in the amount of Euro 396 thousand, of which Euro 230 thousand correspond to loans bearing an average interest rate of 0.0386% and Euro 166 thousand relate to interest-free loans (interest subsidies are treated as remuneration in kind).

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 schemes: obligations assumed

At 31 December 2021, the Executive Director held accumulated fund and pension plan rights for the amount of Euro 13,387 thousand (Euro 12,905 thousand at 31 December 2020).

Guarantees provided by the Company to the Executive Director.

At 31 December 2021, as regards remuneration, the Company had arranged guarantees in the form of collateral to the Chief Executive Officer amounting to Euro 6,527 thousand to cover early retirement entitlements (Euro 6,527 thousand at 31 December 2020) (see Note 18.2).

18.3.2. Remuneration of Senior Management

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

Name	Senior management in 2021 Position (1)
Mr Ignacio Jiménez Soler	General Manager - Communications
Mr Juan Mª Moreno Mellado	General Manager - Energy Management
Mr Paolo Bondi	General Manager of People and Organisation
Mr Rafael González Sánchez	General Manager - Generation
Mr Gianluca Caccialupi (2)	General Manager - Infrastructure and Networks
Mr Jose Manuel Revuelta Mediavilla (3)	General Manager - Infrastructure and Networks
Mr Francisco de Borja Acha Besga	General Secretary to the Board of Directors and General Manager of Legal and Corporate Affairs
Mr José Casas Marín	General Manager - Institutional Relations and Regulation
Mr Pablo Azcoitia Lorente	General Manager - Media
Mr Gonzalo Carbó de Haya	General Manager - Nuclear Power
Mr Patricia Fernández Salís	General Manager of Audit
Ms María Malaxechevarría Grande	General Manager - Sustainability
Mr Ignacio Mateo Montoya	General Manager - Purchasing
Mr Luca Passa	General Manager - Administration, Finance and Control

(1) List of persons included in this table as per the definition of senior executive in CNMV Circular 5/2013, of 12 June.
(2) He left on 28 February 2021 and was substituted by Mr Jose Manuel Revuelta Mediavilla.
(3) He joined on 1 March 2021, replacing Mr Gianluca Caccialupi.

Name	Senior executives in 2020 Position (1)
Mr Ignacio Jiménez Soler (2)	General Manager - Communications
Mr Juan Mª Moreno Mellado	General Manager - Energy Management
Mr Andrea Lo Faso (3)	General Manager of People and Organisation
Mr Paolo Bondi	General Manager of People and Organisation
Mr Rafael González Sánchez	General Manager - Generation
Mr Gianluca Caccialupi	General Manager - Infrastructure and Networks
Mr Francisco de Borja Acha Besga	General Secretary to the Board of Directors and General Manager of Legal and Corporate Affairs
Mr José Casas Marín	General Manager - Institutional Relations and Regulation
Mr José Luis Puche Castillejo (4)	General Manager - Media
Mr Pablo Azcoitia Lorente	General Manager - Media
Mr Gonzalo Carbó de Haya	General Manager - Nuclear Power
Mr Patricia Fernández Salís	General Manager of Audit
Ms María Malaxechevarría Grande	General Manager - Sustainability
Mr Ignacio Mateo Montoya (5)	General Manager - Purchasing
Mr Luca Passa	General Manager - Administration, Finance and Control

(1) List of persons included in this table as per the definition of senior executive in CNMV Circular 5/2013, of 12 June.
(2) He joined on 1 January 2020.
(3) He left on 30 June 2020 and was substituted by Mr Paolo Bondi.
(4) He left on 31 July 2020 and was substituted by Mr Paolo Azcoitia.
(5) He joined on 1 August 2020, replacing Mr Pablo Azcoitia.

Remuneration of Senior Management.

The details of the remuneration of Senior Management member who are not also Executive Directors in 2021 and 2020 were as follows:

Thousands of Euros

	Remuneration			
	At the Company		For membership on Boards of Directors of ENDESA companies of the ENDESA Group	
	2021	2020	2021	2020
Fixed remuneration	3,771	4,114	-	-
Variable remuneration	2,773 (1)	3,531 (2)	-	-
Attendance fees	-	-	-	-
Bylaw-stipulated emoluments	-	-	-	-
Options on shares and other financial instruments	570 (3)	282 (4)	-	-
Other	209	1,413	-	-
TOTAL	**7,323**	**9,340**	**-**	**-**

(1) Relating to the short-term variable remuneration accrued and to the long-term variable remuneration in cash, accrued for a third of the 2019-2021 Loyalty Plans and a third of the Strategic Incentive Plans for 2020-2022 and 2021-2023. The amount paid in this regard totalled Euro 3,037 thousand, relating to short-term variable remuneration (Euro 1,732 thousand) and to long-term variable remuneration (Euro 1,305 thousand relating to 30% of the 2018-2020 Loyalty Plan and to 70% of the 2017-2019 Loyalty Plan).

(2) Relating to the short-term variable remuneration accrued and to the long-term variable remuneration in cash, accrued for a third of the 2018-2020 and 2019-2021 Loyalty Plans and a third of the Strategic Incentive Plans for 2020-2022. The amount paid in this regard totalled Euro 3,830 thousand, and related to the short-term variable remuneration (Euro 1,845 thousand) and to the long-term variable remuneration (Euro 1,985 thousand relating to 30% of the 2017-2019 Loyalty Plan and to 70% of the 2016-2018 Loyalty Plan).

(3) Relating to the long-term variable remuneration accrued for a third of the 2020-2022 Strategic Incentive Plan and a third of the 2021-2023 Strategic Incentive Plan.

(4) Relating to the long-term variable remuneration accrued in shares for a third of the 2020-2022 Strategic Incentive Plan.

Thousands of Euros

	Other benefits			
	At the Company		For membership on Boards of Directors of ENDESA Group companies	
	2021	2020	2021	2020
Advances	189	266	-	-
Loans	-	-	-	-
Pension funds and schemes: contributions	570	621	-	-
Pension funds and schemes: obligations assumed	11,955	15,171	-	-
Life and accident insurance premiums	198	138	-	-

Guarantees provided by the Company to senior management.

At 31 December 2021 and 2020, in terms of remuneration, the Company had not arranged any guarantees in the form of collateral to senior managers who are 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 were approved by the Board of Directors following the report of the Appointments and Remuneration Committee (ARC) and provide for termination benefits in the event of termination of the employment relationship and a post-contractual non-competition clause.

In relation to the Chief Executive Officer, the contract signed with him does not provide for compensation for the termination of his position. Notwithstanding the foregoing, when the Chief Executive Officer leaves his position, his previous relationship will be automatically terminated, that is to say, his senior management contract, suspended since his appointment as Chief Executive Officer, in which case, due to the termination of his Senior Management employment relationship, Mr. José Bogas Gálvez will be entitled to receive a net amount of 6,527 thousand euros. José Bogas Gálvez will be entitled to receive a net amount of EUR 6,527 thousand, being this amount the result of reducing the gross compensation that he has consolidated by the amount of withholdings on account of Personal Income Tax (IRPF) and, where applicable, the Social Security contributions applicable on the date of payment. This amount will be updated upwards according to the Consumer Price Index (CPI) of the previous year.

This compensation is incompatible with the receipt of any other compensation arising from the termination of the director's relationship. This net amount of 6,527 thousand euros includes the two-year post-contractual non-competition agreement included in the Chief Executive Officer's Senior Management contract.

This indemnity or guaranteed compensation is compatible with the Chief Executive Officer's defined benefit savings system. The termination in the event of death or retirement recognizes the right of the Chief Executive Officer or his successors in title to the guaranteed compensation.

With regard to Senior Management and 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:

  - By mutual agreement: compensation equivalent, depending on the case, to 1 to 3 times the annual remuneration. ENDESA's Directors' Remuneration Policy 2021-2023 establishes that when there are new additions to the Company or to ENDESA in Senior Management, a maximum limit of 2 years of total and annual accrued remuneration will be established for payments due to contract termination, including amounts not previously consolidated from long-term savings systems and amounts paid under post-contractual non-competition covenants, applicable in any case, under the same terms, to contracts with Executive Directors.

  - 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 equivalent 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 equal to up to 1 times the annual fixed remuneration payment

At 31 December 2021 and 2020, ENDESA had 10 Executive Directors and Senior Managers with guarantee clauses in their employment contracts, 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 2021				
Director	**Personal or company tax ID**	**Company**	**Stake (%)**	**Position**
Mr Francesco Starace	00811720580	ENEL, S.p.A.	0.00576855	Managing Director and General Manager
Mr Francesco Starace	B85721025	ENEL Iberia, S.L.U.	-	Chairman
Mr José Bogas Gálvez	B85721025	ENEL Iberia, S.L.U.	-	Director
Alberto de Paoli	00811720580	ENEL, S.p.A.	0,00059016	Administration, Finance and Control Manager
Mr Antonio Cammisecra	00811720580	ENEL, S.p.A.	-	Head of Infrastructure and Global Networks
Mr Antonio Cammisecra	00811720580	ENEL, S.p.A.	-	Sole Director of Global Infrastructure and Networks S.r.l.
Mr Ignacio Garralda	00811720580	ENEL, S.p.A.	0.00027540	-

31 December 2020				
Director	**Personal or company tax ID**	**Company**	**Stake (%)**	**Position**
Mr Francesco Starace	00811720580	ENEL, S.p.A.	0.00576855	Managing Director and General Manager
Mr Francesco Starace	B85721025	ENEL Iberia, S.L.U.	-	Chairman
Mr José Bogas Gálvez	B85721025	ENEL Iberia, S.L.U.	-	Director
Alberto de Paoli	00811720580	ENEL, S.p.A.	-	Administration, Finance and Control Manager
Mr Antonio Cammisecra	00811720580	ENEL, S.p.A.	-	Head of Infrastructure and Global Networks
Mr Antonio Cammisecra	00811720580	ENEL, S.p.A.	-	Sole Director of Global Infrastructure and Networks S.r.l.
Mr Ignacio Garralda	00811720580	ENEL, S.p.A.	0.00027540	-

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 2021, were as follows:

- The Executive Director, in his capacity as Director of ENEL Iberia S.L.U., appointed by Enel, S.p.A., had conflicts of interest when authorising transactions with Enel, S.p.A. or Enel Group companies until 3 July 2021. In all the situations arising until 3 July 2021, the Executive Director did not participate in the related items on the agenda of the Board of Directors meeting.

- The Proprietary Directors, appointed by ENEL, S.p.A., were involved in conflicts of interest when taking transaction decisions with ENEL, S.p.A. or ENEL Group companies until 3 July 2021. In all the situations arising until 3 July 2021, the Proprietary Directors did not participate in the related items on the agenda of the Board of Directors meeting.

Distribution by gender: At 31 December 2021, the Board of Directors of ENDESA, S.A. comprised 11 directors, 4 of which are women (13 directors, 4 of which were women, at 31 December 2020).

In 2021 and 2020, the Company had arranged third-party liability insurance policies for directors and senior managers for a gross amount of Euro 1,550 thousand and Euro 614 thousand, respectively. This insures both the Company's directors and employees with management responsibilities.

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

ENDESA's long-term variable remuneration is based on long-term remuneration schemes, known as "Loyalty and Strategic Incentive Plans", aimed primarily at strengthening the commitment of employees, who occupy positions of greater responsibility in the attainment of the Group's strategic targets. The Plan is structured through successive triennial programs, 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 two dates: 30% of the incentive will be paid in the year following the end of the Plan, and the remaining 70%, if applicable, will be paid two years after the end of the Plan. Only in the event of retirement or termination of a fixed-term contract, it is foreseen the collection of completed incentives for which payment is pending, which would be made on the corresponding date.

2019-2021 Loyalty Plan.

Within the framework of the ENDESA Loyalty Plan, the Company's General Shareholders' Meeting, held on 12 April 2019, submitted the long-term remuneration scheme for 2019-2021 for approval.

This programme is linked, among other indicators, to share price performance and is aimed at the Chief Executive Officer and ENDESA's executives with strategic responsibility.

Specifically, the programmes referred to in the previous paragraph have the following objectives:

a) An objective known as the "Total Shareholders' Return of ENDESA (TSR)", defined as the average value of the Total Shareholders' Return (TSR) of ENDESA as compared with the average value of the Total Shareholders' Return (TSR) of the EuroStoxx Utilities Index, selected as the Comparable Group for the accrual period.

   This indicator measures the total return on shares 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 each was subject to a discount.

b) An objective known as the "Return On Average Capital Employed" (ROACE)[2], defined as ENDESA's accumulated ROACE in the accrual period, represented by the relationship between ordinary EBIT[3] and the average net capital invested accumulated during the accrual[4] period.

c) Since the 2018 Plan, an objective has been included to reduce carbon dioxide (CO_2 emissions). This indicator measures ENDESA's carbon dioxide (CO_2) emissions in Spain and Portugal, understood to be the existing ratio between absolute carbon dioxide (CO_2) emissions due to ENDESA's electricity generation and ENDESA's net total production for that year.

There is an ex-post control over long-term variable remuneration in the form of a malus clause that permits the company not to pay variable remuneration accrued and not received, in addition to a clawback clause which obliges holders of 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.

2 "Return On Average Capital Employed" (ROACE) (%) - Ordinary Operating Income (Ordinary EBIT) / Average Net Capital Invested (Average NCI).

3 Ordinary Operating Income (Ordinary EBIT) (Millions of Euros) - Operating Income (EBIT) corrected for extraordinary unbudgeted purposes.

4 Average Net Capital Invested (Average NCI) (Millions of Euros) = ((Equity + Net Financial Debt - Cash and Cash Equivalents) $_n$ + (Equity + Net Financial Debt - Cash and Cash Equivalents) $_{n-1}$) / 2.

The Appointments and Remuneration Committee (ARC) may submit a motion to the Board of Directors not to pay or claim a refund of variable components of remuneration when payment was based on data which later proved to be incorrect.

Strategic Incentive Plan 2020-2022.

On 5 May 2020, the Ordinary General Shareholders' Meeting of ENDESA, S.A. approved a long-term variable remuneration plan called "Strategic Incentive Plan 2020-2022" that aims primarily to reward the contribution to the sustainable compliance of the Strategic Plan of the people who hold the greatest responsibility, including the Company's directors. The main features of this plan are as follows:

- The performance period will be 3 years, starting from 1 January 2020.
- The Plan provides for the allocation of an incentive comprising the right to receive: (i) a number of ordinary shares of ENDESA, S.A. and (ii) a cash amount, referenced to a base incentive (target), subject to the conditions and possible variations under the Plan mechanism.
- The Plan envisages a deferred payment: 30% of the incentive will be paid in the year following the end of the Plan, and the remaining 70%, if applicable, will be paid two years after the end of the Plan.

With respect to the total incentive accrued, the Plan expects up to 50% of the target incentive to be disbursed entirely in shares.

The amount of money to be paid is calculated as the difference between the total amount of the accrued incentive and the share payable in shares.

The accrual of the "2020-2022 Strategic Incentive" is linked to the fulfilment of three objectives 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) Target for the cumulative Return on Average Capital Employed (ROACE)[5] during the accrual period. ENDESA's cumulative ROACE target represents the relationship between cumulative Ordinary Profit from Operations (Ordinary EBIT)[6] and the cumulative average Net Capital Invested (Average NCI)[7], during the 2020-2022 period.

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

c) Reduction of ENDESA's carbon dioxide (CO_2) emissions. This parameter will be weighted at 10% of the incentive.

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 above the first level equals 150%; and performance beyond the second constitutes maximum achievement of 180%. Therefore, the level of variable remuneration would be between 0% and 180% of the base incentive.

Strategic incentive plan 2021-2023.

On 30 April 2021, the General Shareholders' Meeting of ENDESA, S.A. approved a long-term remuneration scheme known as the Strategic incentive plan 2021-2023.

The purpose and characteristics of this plan are the same as those set forth in the "Strategic Incentive Plan 2020-2022" described in the previous section, while the performance period and objectives to which its accrual is tied differ.

5 "Return On Average Capital Employed" (ROACE) (%) - Ordinary Operating Income (Ordinary EBIT) / Average Net Capital Invested (Average NCI).

6 Ordinary Operating Income (Ordinary EBIT) (Millions of Euros) - Operating Income (EBIT) corrected for extraordinary unbudgeted purposes.

7 Average Net Capital Invested (Average NCI) (Millions of Euros) = ((Equity + Net Financial Debt - Cash and Cash Equivalents) $_n$ + (Equity + Net Financial Debt - Cash and Cash Equivalents) $_{n-1}$) / 2.

Therefore, the accrual of the "Strategic Incentive 2021-2023" is linked to the fulfilment of four objectives during the performance period, which shall be three years starting on 1 January 2021:

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) Target for the cumulative Return on Average Capital Employed (ROACE)[8] during the accrual period. ENDESA's cumulative ROACE target represents the relationship between cumulative Ordinary Profit from Operations (Ordinary EBIT) (Ordinary EBIT)[9] and the cumulative Average Net Capital Invested[10] during the 2021-2023 period. This parameter will be weighted at 25% of the total incentive.

c) Net installed capacity from renewable sources, represented as the relationship between net installed capacity from renewable sources and total net installed capacity at ENDESA in 2023. This parameter will be weighted at 15% of the total incentive.

d) Reduction of ENDESA's carbon dioxide (CO_2) emissions. This parameter will be weighted at 10% of the incentive.

The amount accrued by the Plans in force in 2021 was Euro 3 million (Euro 3 million in 2020), with Euro 1 million corresponding to the estimate of share-based payments to be settled in equity instruments (Euro 0.5 million in 2020).

“Equity - Other equity instruments” in the statement of financial position includes the changes in 2021, and the balance at 31 December 2021 was Euro 1 million.

19. Other information.

19.1. Headcount

In 2021 and 2020, the Company’s average headcount, by category and gender, was as follows:

Number of employees

	2021		Total	2020		Total
	Male	Female		Male	Female	
Executives	86	28	114	94	30	124
Middle management	439	449	888	441	444	885
Administration and management personnel and workers	87	169	256	106	203	309
TOTAL EMPLOYEES	**612**	**646**	**1,258**	**641**	**677**	**1,318**

At 31 December 2021 and 2020, the breakdown of the headcount by category and gender was as follows:

Number of employees

	31 December 2021		Total	31 December 2020		Total
	Male	Female		Male	Female	
Executives	82	27	109	92	29	121
Middle management	450	464	914	441	456	897
Administration and management personnel and workers	76	149	225	103	194	297
TOTAL EMPLOYEES	**608**	**640**	**1,248**	**636**	**679**	**1,315**

[8] "Return On Average Capital Employed" (ROACE) (%) - Ordinary Operating Income (Ordinary EBIT) / Average Net Capital Invested (Average NCI).

[9] Ordinary Operating Income (Ordinary EBIT) (Millions of Euros) - Operating Income (EBIT) corrected for extraordinary unbudgeted purposes.

[10] Average Net Capital Invested (Average NCI) (Millions of Euros) = ((Equity + Net Financial Debt - Cash and Cash Equivalents)$_n$ + (Equity + Net Financial Debt - Cash and Cash Equivalents)$_{n-1}$) / 2.

In 2021 and 2020, the average number of people employed with an incapacity greater than or equal to 33%, by category and gender, was as follows:

Number of employees

	2021		Total	2020		Total
	Male	Female		Male	Female	
Middle management	3	4	7	3	4	7
Administration and management personnel and workers	3	5	8	4	4	8
TOTAL EMPLOYEES	**6**	**9**	**15**	**7**	**8**	**15**

19.2. Audit fees.

The fees for the services provided by the audit company KPMG Auditors, S.L. and other companies of KPMG for the financial statements of ENDESA, S.A. for the years ended 31 December 2021 and 2020, regardless of their billing date, were as follows:

Thousands of Euros

	2021	2020
Audit of the financial statements	981	979
Audits other than of the financial statements and other audit-related services	616	549
TOTAL	**1,597**	**1,528**

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

Pursuant to Law 15/2010, of 5 July, the details of the degree of compliance by the Company with the statutory limits on payment to suppliers in 2021 and 2020 were as follows:

Number of days

	2021	2020
Average payment period to suppliers	33	34
Ratio of transactions paid	33	35
Ratio of transactions pending payment	31	27

Thousands of Euros

	2021	2020
Total payments made	150,854	164,796
Total payments pending	9,280	15,782

19.4. Insurance

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

The possible loss of profits that could result from outages at the facilities is also covered by certain assets.

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

20. Environmental information.

In 2021 and 2020, no current operating expenses were recognised associated with environmental activities.

At 31 December 2021 and 2020, the Company did not have any environment assets and it did not acquire or have any environmental assets or receive any grants for that purpose during 2021 and 2020.

At the date of authorisation for issue of these financial statements, the Company's directors consider that there are no known or probable expenses in relation to these risks for which provisions should be recognised at the aforementioned date in this regard (see Section 5 of the Management Report for the year ended 31 December 2021).**Error! Bookmark not defined.**

21. Events after the reporting period.

No other significant events took place between 31 December 2021 and the date of authorisation for issue of these financial statements that have not been reflected therein.

22. 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 2021

(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 31 December 2021 were drafted in electronic format by the Board of Directors of the company ENDESA, Sociedad Anónima at its meeting on 21 February 2022, 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).

Mr. Juan Sánchez-Calero Guilarte **Chairman**	**Mr. Francesco Starace** **Vice Chairman**
Mr. José Damián Bogas Gálvez **Chief Executive Officer**	**Ms. Eugenia Bieto Caubet** **Director**
Mr. Antonio Cammisecra **Director**	**Mr. Ignacio Garralda Ruiz de Velasco** **Director**
Ms. Pilar González de Frutos **Director**	**Ms. Maria Patrizia Grieco** **Director**
Ms. Alicia Koplowitz y Romero de Juseu **Director**	**Mr. Francisco de Lacerda** **Director**
Mr. Alberto de Paoli **Director**	

Madrid, 21 February 2022

ENDESA, S.A.

Management Report for the year ended 31 December 2021

(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 2021

Contents

(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 2021

1. Business performance.

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

The net turnover in 2021 amounted to Euro 1,003 million, of which Euro 737 million correspond to income from dividends from Group companies and associates, and Euro 266 million to income for the provision of services to independent companies.

The details of ENDESA, S.A.'s income from dividends in 2021 were as follows.

Millions of Euros

Company	Dividends
ENDESA Red, S.A.U.	649
ENDESA Financiación Filiales, S.A.U.	88
TOTAL	**737**

In 2021, operating income amounted to Euro 1,009 million, while operating expenses totalled Euro 357 million, generating profit from operations for the year of Euro 652 million.

A financial loss amounting to Euro 131 million was reported for 2021, primarily as a consequence of the financial expenses on loans from Group companies and associates amounting to Euro 129 million.

The pre-tax profit for the period was Euro 521 million.

In 2021, Euro 60 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. These companies' profits have already been taxed in the consolidated income tax return filed for the Group, represented in Spain by ENEL Iberia, S.L.U.

The net income for 2021 amounted to Euro 581 million.

2. Main financial transactions.

The main transactions in 2021 were as follows:

– A new issuance programme of SDG7 Euro Commercial Papers (ECP) amounting to Euro 4,000 million, the outstanding nominal balance of which was Euro 2,915 million at 31 December 2021, whose renewal is backed by irrevocable bank credit facilities. This programme incorporates sustainability objectives, in line with ENDESA's Strategic Plan.

– Likewise, in 2021, the following financial transactions were performed, all of which incorporated sustainability goals:

Millions of Euros

Transactions	Counterparty	Signature date	Maturity date	Amount
Loan (1) (2)	CaixaBank, S.A., Bankia, S.A. and Kutxabank, S.A.	25 March 2021	25 March 2024	300
Line of credit (1) (2)	CaixaBank, S.A., Bankia, S.A. and Kutxabank, S.A.	25 March 2021	25 March 2024	250
Lines of credit (1) (3)	Various banks	25 March 2021	25 March 2025	1,955
Line of credit (1)	BNP Paribas, S.A.	25 March 2021	25 March 2025	100
Loan (4)	CaixaBank, S.A.	31 March 2021	15 April 2028	150
Line of Credit (1)	Deutsche Bank, S.A.E.	28 April 2021	28 April 2025	70
Intercompany credit facility (1) (5)	ENEL Finance International N.V.	25 May 2021	25 May 2025	1,700
Loan (4)	Unicaja Banco, S.A.	28 June 2021	28 June 2028	75
Loan (4)	Kutxabank, S.A.	30 July 2021	30 July 2028	75
Loan (4)	Cajasur Banco S.A.U.	30 July 2021	30 July 2028	50
Loan (4)	Unicaja Banco, S.A.	15 October 2021	15 October 2026	125
Loan (4)	Kutxabank, S.A.	15 October 2021	15 October 2026	75
Loan (4)	Banco Cooperativo Español S.A.	27 October 2021	27 October 2028	100
Loan (4)	European Investment Bank	11 November 2021	22 November 2036	250
Line of Credit (1)	Bankinter, S.A.	3 December 2021	25 March 2025	25
Loan (4)	CaixaBank, S.A.	9 December 2021	9 December 2024	275
Line of Credit (4)	CaixaBank, S.A.	10 December 2021	10 December 2024	100
Line of Credit (4)	Intesa San Paolo, SpA	13 December 2021	13 December 2024	200
Line of Credit (1)	Unicaja Banco, S.A.	17 December 2021	25 March 2025	25
Line of Credit (4)	Banco Bilbao Vizcaya Argentaria, S.A.	17 December 2021	17 December 2024	150
Line of Credit (4)	BNP Paribas, S.A.	17 December 2021	17 December 2024	100
Line of Credit (4)	Deutsche Bank, S.A.E.	17 December 2021	17 December 2024	125
Loan (4)	Banco Bilbao Vizcaya Argentaria, S.A.	17 December 2021	17 December 2024	225
Loan (4)	Instituto de Crédito Oficial	20 December 2021	20 December 2033	300
Loan (4)	European Investment Bank	21 December 2021	2037	250
TOTAL				**7,050**

(1) Transactions described as sustainable on including the performance indicator (KPI) in relation to ENDESA's commitment to ensure that its net installed mainland capacity from renewable sources is 55% of the total net installed capacity at 31 December 2022.
(2) Corresponds to a financial transaction in "Club Deal" format in force renewed at the signature date.
(3) Corresponds to nine credit lines in force renewed at the signature date.
(4) The credit conditions of this transactions are tied, for the first time for ENDESA, to the objective established in the Company's Strategic Plan to reduce specific emission of Scope 1 carbon dioxide (CO_2) equivalent to 150g CO_2eq/kWh in 2023.
(5) The formalisation of this credit facility coincides with the cancellation of two lines of credit that ENDESA held with ENEL Finance International, N.V. until that date, for the amount of Euro 1,000 million and Euro 700 million, respectively.

3. Events after the reporting period.

Information concerning events after the reporting period is provided in Note 21 to the financial statements for the year ended 31 December 2021.

4. Outlook.

ENDESA, S.A.'s future profits will essentially depend on the dividends from its subsidiaries, which are 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 24 November 2021 the Board of Directors of ENDESA, S.A. approved the following shareholder remuneration policy for 2021-2024:

– For 2021, ENDESA, S.A.'s Board of Directors will seek to ensure that the ordinary dividend per share agreed to be distributed with a charge to the year is equivalent to 80% of the ordinary net profit attributed to the Parent in the Group's Consolidated Financial Statements.

- For the 2022, 2023 and 2024 financial years, the Board of Directors of ENDESA, S.A. will attempt to ensure that the ordinary dividend per share that is agreed to be distributed for the year is equivalent to 70% of the ordinary net profit attributable to the Parent as per the Group's Consolidated Financial Statements.

The intention of the Board of Directors is that the ordinary dividend should be paid solely in cash in two instalments (January and July) on a given date to be determined in each case, which will be duly notified.

Without prejudice to the foregoing, ENDESA's capacity to pay out dividends to its shareholders depends on numerous factors, including the generation of profit and the availability of unrestricted reserves. Therefore, no assurance can be given that dividends will be paid out in future years or as to the amount of such dividends, if paid.

In respect of 2021, at its meeting held on 24 November 2021, ENDESA, S.A.'s Board of Directors agreed to pay its shareholders a gross interim dividend against 2021 income of Euro 0.50 per share, which gave rise to a pay-out of Euro 529 million on 3 January 2022.

Likewise, the proposed distribution of profit in 2021 to be presented for approval by ENDESA, S.A.'s Board of Directors to the General Shareholders' Meeting will be the distribution of a total gross dividend of Euro 1.4372 per share to its shareholders.

5. Climate change

	Line of action	2021 objective	2021 result	Actions to be highlighted
Decarbonisation of the Energy Mix	Scope 1 Specific Greenhouse Gas Emissions (gCO_2e/kWh).		186	Reduction of specific emissions by around 53% compared to 2017.
	Carbon dioxide free production (CO_2)(% Production)			Increase in emissions-free production of 59% compared to 2017, reaching a generation mix with emissions-free production of around 70%.
	Net Installed Renewable Capacity (MW Installed)			Increased installed renewable capacity (0.26 GW solar and 0.13 GW wind).
	Gross Fossil Thermal Installed Capacity (MW Installed)			Cessation of peninsular coal activity in 2021.

5.1. ENDESA's commitment to climate change.

The main objective of the Paris Agreement is to limit the increase in global temperature to 2ºC, to not exceed 1.5ºC compared with the pre-industrial period. The Agreement introduces the condition of carbon neutrality, which must be achieved by 2050.

The United Nations Conference on Climate Change in Glasgow (COP26), held in November 2021, closed with the Glasgow Climate Pact which, based on the role of science and on the insufficiency of the commitments presented, recognises the urgency to accelerate climate action. The Pact updates the objective to limit temperature, and all the countries recognise that they must limit global warming to 1.5 ºC, including the need to reduce emissions by 45% in 2030 with respect to 2010 and, in this regard, given the insufficiency of the commitments presented to date, all countries are asked to increase their emission reduction targets annually to 2030 to align them with the Paris targets, and the ambition mechanism is updated to provide explanations annually instead of every five years, as was envisaged in Paris.

In line with the climate emergency and the call to increase ambition, in recent years, ENDESA has focused its strategy, with the establishment of ambitious targets through the successive Strategic Plans prepared since it adopted the Paris Agreement. The results obtained by the Company and the decarbonisation path of recent years provides us with an indication of its ambition in the decarbonisation area and of its efforts year after year to exceed the objectives committed. In 2021, through its Strategic Plan, ENDESA notified its road map to being a completely decarbonised generation company in 2040, bringing forward its previous objective by 10 years. Hence, ENDESA accelerates the exit of its generation business based on fossil fuels, such as the sale of gas, to become a 100% renewable electricity company without a link to emitting production technologies or fossil fuels.

ENDESA, through the update of its 2022-2024 Strategic Plan, reaffirms its energy transition strategy, based on growth of 48% in the installed capacity of renewable sources, until reaching a total of 12,300 MW in 2024. Accordingly, 92% of ENDESA's Iberian Peninsula will be free from carbo dioxide (CO_2) emissions at the end of 2024. The new renewable power that will be added to ENDESA's energy mix in this period will amount to 4 GW. Of these, 90% will be solar and the remainder will be wind power. The renewable deployment will grow at an average of 1.3 GW per year.

In a look towards 2030, ENDESA expects to reach the 24 operational GW in its 2022-2024 Strategic Plan at the close of the decade, which means increasing that estimated a year ago by 20%, which will allow the currently installed power to be tripled.

This new renewable power will amply exceed the reduction of that of thermal origin due to the closure of coal plants in the Iberian Peninsula, a process in which ENDESA continues to make progress after achieving in 2021 the authorisation to close the Litoral plant (Almería), and the scheduled end to production at the Pego coal plant (Portugal), in which ENDESA is a non-controlling interest. Only permission for the As Pontes plant (A Coruña) would remain to be obtained. With all of this, 63% of ENDESA's generator park in the Iberian Peninsula will comprise renewable sources at the end of 2024, with respect to the current 54%.

In its intention to go further, ENDESA's committed targets ended 2021 consolidating their cumulative trend of reducing emissions. Six years after the adoption of the Paris Agreement, emissions have been reduced by 69% since 2015 (almost 81% since 2005, the year in which the Kyoto Protocol entered into force).

ENDESA promotes the transparency of its disclosures on climate change and works to make visible to its interested parties that it is addressing climate change with diligence and determination. Hence, ENDESA drafts this report in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board and in accordance with the "Directives on the Presentation of Climate-related Information" published by the European Commission in June 2019.

ENDESA, as a signatory through the ENEL Group of the "Business Ambition for 1.5 °C" campaign promoted by the United Nations, has established an objective of reducing emissions aligned with a maximum temperature increase of 1.5ºC with respect to pre-industrial levels, in line with the criteria and recommendations of the “Science Based Targets” (SBTi) initiative, undertaking to ensure that in 2030 the specific Scope 1 emissions do not exceed 95 gCO_2/kWh. Therefore, ENDESA is once again playing a key role in the fight against climate change, demonstrating leadership and contributing significantly to the fulfilment of national and international commitments regarding the decarbonisation of the planet, and complying with the objectives of the aforementioned Paris Agreement.

5.2. Corporate Governance.

ENDESA is aware of the effects that climate change has on its business and integrates this vision not only as an element in its environmental and climate management policy, but as a major component in decision-making at business level, and the determination of its strategic plans, which implies that decisions are made at the highest level of management.

ENDESA establishes its strategic plans taking into account geopolitical, regulatory and technological macro tendencies, with particular 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). One of the main pillars of the Company's strategy is climate change and energy transition, and ENDESA, S.A.'s Board of Directors is responsible for its approval and the senior management of ENDESA, S.A. for its development and implementation.

The Appointments and Remuneration Committee is responsible, inter alia, for informing and/or proposing the appointments of directors and the Remuneration Policy to the Board of Directors to be submitted to the General Shareholders' Meeting. This Committee proposes to the Board of Directors of ENDESA, S.A. and monitors carbon dioxide (CO_2) emission reduction targets linked to the variable remuneration of the Executive Directors. ENDESA has established an incentive system for its managers related to the Company's performance in climate change management. In the long-term Incentive Plan, whose participants are the Executive Directors of ENDESA, S.A., as well as managers whose participation is considered essential in the achievement of the Strategic Plan, the following objectives related directly with climate control management were established in this regard:

- Net installed renewable energy capacity. Represented as the relationship between net installed capacity from renewable sources and total net installed cumulative capacity of ENDESA for a certain period (in this specific year until 2023). This parameter will be weighted at 15% of the total incentive.

- Reduction of carbon dioxide (CO_2) emissions, calculated as a reduction of specific carbon dioxide (CO_2) (g/CO_2/kWh) of ENDESA in a certain period of time (in this specific year until 2023). Defined as the ratio between the absolute carbon dioxide (CO_2) emissions due to ENDESA's electricity generation and its net total production for that year. This parameter will be weighted at 10% of the incentive.

This objective is reviewed annually, with each long-term incentive plan, and the last objective set at the end of this report is the 2021-2023 Plan, in line with the industrial objectives envisaged by the 2021-2023 Strategic Plan.

ENDESA, S.A.'s Audit and Compliance Committee is responsible for overseeing and monitoring the processes to prepare and present financial and non-financial information, auditor independence and the effectiveness of internal control and risk management systems. In the area of risk management, the risk control and management model implemented at the Company, which expressly includes the risks associated with climate change, is aligned with international standards, following a methodology based on the three-line model.

The main function of the Sustainability and Corporate Governance Committee is to provide advisory services to the Board of Directors of ENDESA, S.A. and supervision, inter alia, in environmental matters, in the area deemed to be climate change. Its competences include reviewing the Company's environmental policies, overseeing the objectives of the sustainability plan and regularly evaluating the degree of attainment of such objectives.

5.3. Strategy.

5.3.1. Scenarios.

ENDESA uses climate, energy and macroeconomic scenarios in the short (corresponding to the Strategic Plan), medium (corresponding to the coverage deadlines of the National Integrated Energy and Climate Plan (PNIEC)), and long term (2050), to assess the flexibility and resilience of its Strategic Plan. In these scenarios, the impact of climate change is of huge importance, producing effects that can be analysed in terms of:

- Extreme events: heat waves, torrential rain, hurricanes, etc. and their potential impact on industrial facilities.

- Chronic phenomena: to consider gradual changes in weather conditions, such as increased average temperatures, rising sea levels, etc., affecting the production of electricity generation plants and consumer profiles.

- Transition: of different sectors towards a green economy, characterised by becoming more decarbonised.

The aspects related to projections of climate variables, in terms of chronic phenomena and extreme events, define physical scenarios, and the aspects related to the industrial and economic transition towards decarbonised solutions define the transition scenarios. These scenarios are being constructed to forge a reference framework to ensure coherence between climate projections and transition hypotheses.

The strategic planning based on the use of scenarios is in line with the definition of alternative futures, defined on the basis of certain key variables such as, for example, compliance with the objectives defined in the Paris Agreement or technological development. With respect to the foresight approach, the scenarios offer greater flexibility and enable preparation to affront risks and take advantage of opportunities. The foresight approach includes projections based on past trends, so it does not anticipate significant changes, risks or opportunities.

The scenarios are used in the processes of planning, strategic positioning and the assessment of the risks and of the resilience of the strategy. The preparation of the scenarios helps companies to take strategic decisions in complex uncertain conditions, analysing future plausible alternatives, enabling different channels, times and mitigation options to be designed and analyses to be conducted, based on the key risks to challenge strategic thought.

Performing a benchmarking of external scenarios constitutes a useful starting point to build robust internal scenarios. Many global energy transition scenarios exist, published by different bodies and designed for multiple purposes, from governmental planning to support for business decision-making processes. The benchmarking activity consists of analysing the scenarios prepared for organisations to compare the results in terms of energy mixes, emissions tendencies and technological choices, and of identifying the main drivers of the energy transition for each of them.

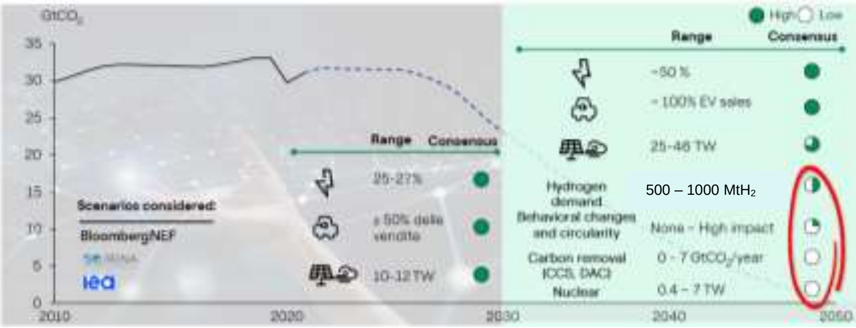
The global energy scenarios are classified for families of scenarios, based on the level of climate ambition:

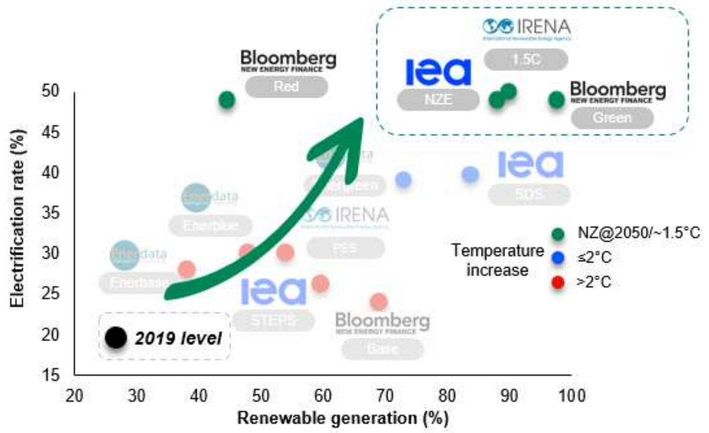
- "Business as usual / Stated Policies": energy scenarios based on "business as usual / current policies". They provide a conservative point of reference for the future, representing the performance of the energy system with additional climate and energy policies. These scenarios do not attain the objectives of the Paris Agreement.

- "Paris Aligned": energy scenarios consistent with the Paris Agreement, that is, which include an objective of limiting the average increase in global temperatures to below 2º C with respect to pre-industrial levels. To attain this objective, the scenarios of this category consider new ambitious policies to boost the electrification of end uses of energy and the development of renewable energy.

- "Paris Ambitious": global energy scenarios that establish a transition towards zero net emissions of green gas emissions in 2050, in line with the most ambitious objective of the Paris Agreement, that is, ensuring that the increase in the average global temperature does not exceed 1.5°C. All the scenarios of this family have in common the drivers of the energy transition towards net zero in 2050: the electrification process of the end energy uses and the increase in renewable electricity generation, both at medium and at long term. However, they differ in the type of additional solutions required in the long term to cover the gap between zero net emissions, granting different importance to the contributions to the different technologies and the changes in behaviour.

In general, the conclusions drawn from the systematic analysis of the different scenarios is that the most ambitious scenario to reduce climate change involves a greater penetration of electrification and renewable energy.



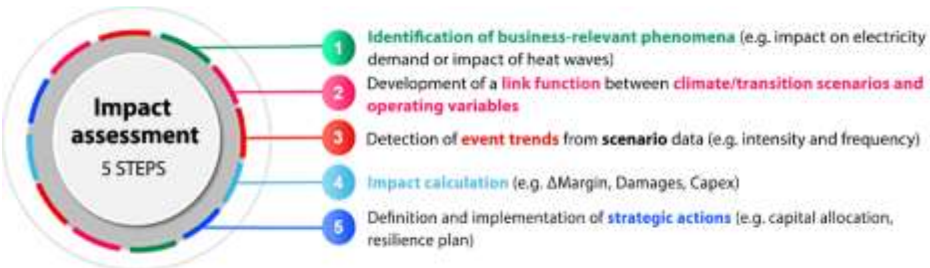


At 2050 | Source: Graph – internal elaboration based on IEA (2021), World Energy Outlook 2021 | BNEF (2021), New Energy Outlook | IRENA (2020), Global Renewables Outlook | IRENA (2021), World Energy Transition Outlook

The acquisition and processing of the large amount of data obtained from the application of the scenarios, as well as the identification of the methodologies and metrics necessary to interpret complex phenomena and, in the case of climate scenarios, with high resolution, an ongoing dialogue is required with both external and internal experts. To assess the effects of the transition and physical phenomena in the energy system, for example, the ENEL Group uses models that describe the country's energy system considering the specific features at technological, socio-economic, political and regulatory framework level.

The adoption of these scenarios and their integration into the ordinary management of the Company, as recommended by the "Task Force on Climate-related Financial Disclosures" (TCFD) allow an assessment of the risks and opportunities associated with climate change.

The process that translates the conclusions of the application of the scenarios into useful information for industrial and strategic decision-making can be summarised in five steps:



5.3.1.1. Physical scenarios.

Three climate scenarios have been selected to assess physical risks in line with those published in the Sixth Report of the Intergovernmental Panel on Climate Change (IPCC)[11]. These scenarios are characterised by a level of emissions in line with that known as the “Representative Concentration Pathway” (RCP), and each of them are related with one of the five scenarios defined by the scientific community as “Shared Socioeconomic Pathways” (SSP). The “Shared Socioeconomic Pathways” (SSP) scenarios consider assumptions of a general nature on the population, urban development, etc. The three physical scenarios considered are:

- “Shared Socioeconomic Pathways” 1 (SSP 1) - “Representative Concentration Pathway” 2.6 (RCP 2.6): scenario aligned with a global temperature increase of below 2ºC in 2100 with respect to pre-industrial levels (1850-1900). The “Intergovernmental Panel on Climate Change” (IPCC) projects an average increase in temperature of ~+1.8 ºC with respect to the period 1850-1900, with a probability of 44% of limiting the increase in temperature below 1.5ºC and of 78% of it remaining below +2ºC[12]. For the analysis that takes into account both the physical and the transition variables, the Group associates the “Shared Socioeconomic Pathways” 1 (SSP 1) - “Representative Concentration Pathway” 2.6 (RCP 2.6) scenario to the “Paris” and “Best Place” scenario.

- “Shared Socioeconomic Pathways” 2 (SSP 2) - “Representative Concentration Pathway” 4.5 (RCP 4.5): compatible with an intermediate scenario that estimates an average temperature increase of around 2.7ºC in 2100 with respect to 1850-1900. This scenario has been seen as the most representative of today's global climate and geopolitical context. This scenario projects global warming in line with the estimates arising from the current and envisaged policies at world level[13]. For the analysis that takes into account both the physical and the transition variables, the Group associates the “Shared Socioeconomic Pathways” 2 (SSP 2) - “Representative Concentration Pathway” 4.5 (RCP 4.5) scenario to the “Slow Transition” scenario.

- “Shared Socioeconomic Pathways” 5 (SSP 5) - “Representative Concentration Pathway” 8.5 (RCP 8.5): compatible with a scenario that considers that no specific measures will be taken to combat climate change. This scenario considers that the global temperature increase with respect to pre-industrial levels will be around 4.4ºC in 2100. The “Intergovernmental Panel on Climate Change” (IPCC) considers that the increase will be above 3ºC, and that it will exceed 4ºC with a probability of 62%.

The “Shared Socioeconomic Pathways” 5 (SSP 5) - “Representative Concentration Pathway” 8.5 (RCP 8.5) scenario is considered to be the most unfavourable situation, and has been used to assess the consequences of climate impacts in an extreme scenario, which is currently considered to have a low probability of occurrence. The “Shared Socioeconomic Pathways” 1 (SSP 1) - “Representative Concentration Pathway” 2.6 (RCP 2.6) scenario is used to assess the consequences of climate impacts associated with an energy transition that achieves ambitious targets in terms of mitigation.

The work performed with climate scenarios considers both chronic phenomena and extreme events. For a description of specific complex phenomena, data and analyses provided by private, public and academic bodies are taken into account.

[11] IPCC Sixth Assessment Report, Working Group 1, “The Physical Science Basis” (2021)
[12] IPCC Fifth Assessment Report, Working Group 1, “Long-term Climate Change: Projections, Commitments and Irreversibility”
[13] Climate Action Tracker thermometer, global warming estimates in 2100, considering the current “Policies & action” and “2030 targets only” (November 2021)

The scenarios used are global, but to be able to define the effects of the specific areas in which the ENEL Group performs its activities, they must be analysed at local level. The work carried out by the Department of Earth Sciences of the International Centre for Theoretical Physics (ICTP) has allowed the projections of the most important climatic variables with a resolution equivalent to a grid of between 12 km^2 and 100 km2, for a time horizon between 2020-2050. The main variables considered are temperature, snow and rainfall and solar radiation. For a more robust analysis, we are currently working on the basis of the regional climate model, defined by the International Centre for Theoretical Physics (ICTP), plus five others selected from the most representative of the climate models referred to in the specialised literature. Working with various models enables more robust analyses to be performed, based on average assumptions in individual models. In 2021, projections for Spain were analysed based on the aforementioned series of models, which has ensured a better-defined representation of the physical scenarios.

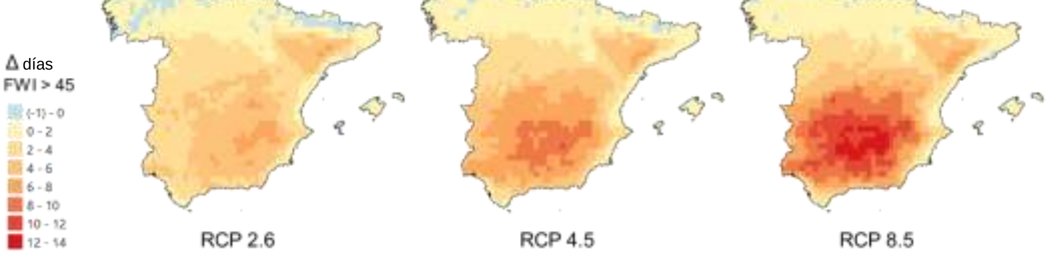
The “International Centre for Theoretical Physics” (ICTP) also acts as scientific support in the interpretation of any climate data considered.

The analysis of certain aspects depends not only on climate projections, but also on the characteristics of the territory, so it is necessary to carry out a more specific modelling to achieve a high-resolution representation. To achieve this, in addition to the climate scenarios developed by the International Centre for Theoretical Physics (ICTP), Natural Hazard maps are used. The use of these maps results in the expected frequencies for a number of weather events, such as storms, hurricanes or floods, with high spatial resolution. The findings of this type of analysis using historical series are being used to optimise the insurance strategy. Work is currently under way to integrate these findings with climate scenario projections.

The ENEL Group has equipped itself with tools and has acquired sufficient knowledge to work independently with the gross data published by the scientific community, which enables a global vision and a high level of performance at long term of the climate variables of interest. The sources used are the outputs of the climatic and regional models of the CMIP6[14] and CORDEX[15]. CMIP6 is the sixth assessment of the Coupled Model Intercomparison Project (CMIP), a project of the World Climate Research Programme (WCRP) and of the “Working Group of Coupled Modelling“ (WGCM), which provides gross climatic data from global climate models, which are used to assess the standard metrics on a global scale, with a resolution of around 100 km x 100 km. “Coordinated Regional Climate Downscaling Experiment” (CORDEX), which is also encompassed within the “World Climate Research Programme” (WCRP), and provides regional climate projections with a greater resolution.

The work carried out has made it possible to draw the following conclusions regarding the territories in which ENDESA operates:

- Extreme events: the number of days with an extreme risk of fire (*Fire Weather Index* > 45) will be higher in the “Shared Socioeconomic Pathways” 5 (SSP 5) - “Representative Concentration Pathway” 8.5 (RCP 8.5) scenario than in the “Shared Socioeconomic Pathways” 1 (SSP 1) - “Representative Concentration Pathway” 2.6 (RCP 2.6) scenario, increasing the historical average in any case. For all the scenarios in the centre-south of Spain, in the summer, the number of days per year with a high fire risk will increase significantly.



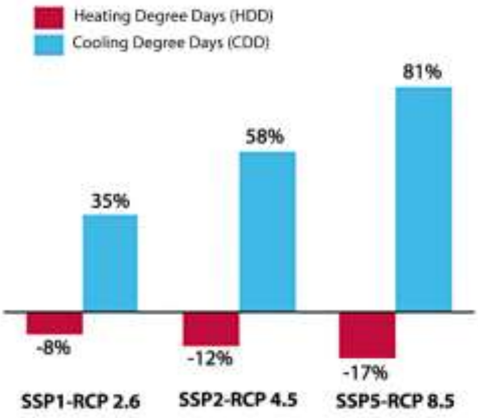
Increase in the average number of days per year in the summer with a high fire risk for the RCP scenarios and with respect to the historical series (1990-2010).

[14] https://www.wcrp-climate.org/wgcm-cmip/wgcm-cmip6
[15] https://cordex.org/

Accordingly, it is expected that in the 2030-2050 period, heat waves will become more widespread and frequent, especially in the southern area of the country. A variation is expected in the frequency of extreme rainfall phenomena. In a preliminary analysis, it was concluded that the average annual rainfall of rainy days with an intensity exceeding the 95 percentile will be reduced in certain areas in the south of the country in the "Shared Socioeconomic Pathways" 1 (SSP 1) - "Representative Concentration Pathway" 2.6 (RCP 2.6) scenario.

- Chronic phenomena: an analysis was performed in greater detail on the potential air conditioning and heating needs, enabling it to be concluded that in the 2030-2050 period, with respect to the 1990-2020 period, it is considered that the "Heating Degree Days" (HDD)[16] will be reduced in all scenarios, from (-8%) in the "Shared Socioeconomic Pathways" 1 (SSP 1) - "Representative Concentration Pathway" 2.6 (RCP 2.6) scenario to (-17%) in the "Shared Socioeconomic Pathways" 5 (SSP 5) - "Representative Concentration Pathway" 8.5 (RCP 8.5) scenario.

  The results obtained also envisage an increase in the *"Cooling Degree Days"* (CDD)[17] in all scenarios, from +35% in the "Shared Socioeconomic Pathways" 1 (SSP 1) - "Representative Concentration Pathway" 2.6 (RCP 2.6) scenario to +58% in the "Shared Socioeconomic Pathways" 2 (SSP 2) - "Representative Concentration Pathway" 4.5 (RCP 4.5) scenario and +81% in the "Shared Socioeconomic Pathways" 5 (SSP 5) - "Representative Concentration Pathway" 8.5 (RCP 8.5) scenario.



With respect to rainfall, its variation was analysed in the basins of interest for ENDESA's hydroelectric production, and after a preliminary analysis, the conclusions do not evidence significant variations on comparing the 2030-2050 period with 1990-2009, presenting a downward trend in the south of Spain in all scenarios.

It should be highlighted that ENDESA has been a pioneer in the use of climate scenarios. In 2009, it launched its first project to analyse and evaluate the vulnerability of all its businesses and facilities globally, leading it to be chosen by the former Ministry of Agriculture and Fisheries, Food and Environment (now the Ministry of Ecological Transition and Demographic Challenge) to represent the energy sector in the ADAPTA I and II initiative. After this, ENDESA has continued to go into depth, participating in multiple international initiatives and developing projects related to different areas.

5.3.1.2. Transition scenarios.

The transition scenario represents the tendency of energy production and consumption in different sectors in an economic, social and regulatory context consistent with the trends in greenhouse gas emissions and, therefore, related to climate scenarios.

With regard to the assumptions established to define transition scenarios, it should be noted:

[16] *Heating Degree Days* (HDD): annual summation of the difference between the indoor temperature (estimated at 18ºC) and the outside temperature, considering every day of the year to have an outdoor temperature of less than or equal to 15ºC.
[17] *Cooling Degree Days* (CDD): annual summation of the difference between the indoor temperature (estimated at 21ºC) and the outside temperature, considering every day of the year to have an outdoor temperature of equal to or higher than 24ºC.

- The assumptions related to climate change regulations, governing aspects such as reducing carbon dioxide (CO_2), emissions, the efficiency of the energy system, decarbonising the electricity sector, reducing oil consumption, etc.

- The macroeconomic and energy context (e.g., in terms of gross domestic product, population and raw material prices), considering international benchmarks, such as the International Energy Agency (IEA), "Bloomberg New Energy Finance" (BNEF), "International Institute for Applied Systems Analysis" (IIASA)[18], etc.

In 2021, the ENEL Group reviewed the reference framework of the medium-long term energy transition scenarios, defining three alternative scenarios:

- "Paris" scenario: foresees a level of climate ambition significantly greater than “business as usual”, in which the increased ambition is based on greater electrification and the presence of renewable energy.

- “Slow Transition” scenario: scenario characterised by a slower energy transition, which does not allow the objectives of the Paris Agreement to be met. This scenario considers a lower increase in the presence of renewable energy and a lower electrification with respect to the “Paris” scenario, especially in the short term.

- “Best Place” scenario: built to test more ambitious assumptions than the “Paris” scenario. In this scenario, the objectives of the Paris agreement are also met, but a wider portfolio of technological solutions is considered, for example, a greater penetration of green hydrogen, that is, produced from renewable electricity, used extensively in the sectors known as “hard-to-abate”, facilitating the decarbonisation process towards zero net emissions.

In 2021, for the long-term planning, the “Paris” scenario was chosen, in line with the success of the Paris Agreement and, at Spanish level, it is also in line with its National Integrated Energy and Climate Plan 2021-2030 (PNIEC). Hence, ENDESA operates on the basis of a business model aligned with the maximum level of ambition of the Paris Agreement, that is, aligned with an objective of limiting an increase in global temperature to 1.5ºC and, in this regard, it has set ambitious long-term objectives to achieve completely renewable generation in 2040, together with the supply of zero-emission energy.

The assumptions on the variations in raw material prices in the “Paris” scenario are in line with the external scenarios that ensure the objectives of the Paris Agreement. In 2030, growth is considered maintained by the price of carbon dioxide (CO_2), as a result of the progressive reduction of the permit offer with respect to a growing demand and a progressive reduction in the price of coal, due to decreased demand. With respect to gas, it is considered that the price tensions will be relaxed in the coming years as a result of a realignment between supply and demand at global level. Lastly, a progressive stabilisation of the price of oil is foreseen, for which a peak in demand with respect to 2030 is estimated.

Brent ($/bl)	2020	2030
ENEL Scenario	43.24	68.20
Average Benchmark*	43.24	61.86
Max Benchmark	43.24	70.30
Min Benchmark	43.24	45.20

API2 ($/ton)	2020	2030
ENEL BP	0.28	72.00
Average Benchmark*	50.28	67.11
Max Benchmark	0.28	72.80
Min Benchmark	50.28	64.50

CO_2 EU - ETS (€/ton)	2020	2030
ENEL Scenario	24.72	95.00
Average Benchmark*	24.72	87.00
Max Benchmark	24.72	126.54
Min Benchmark	24.72	53.00

TTF (€/MWh)	2020	2030
ENEL BP	9.33	20.80
Average Benchmark*	9.33	20.36
Max Benchmark	9.33	41.86
Min Benchmark	9.33	12.96

Source: IEA – scenarios *Sustainable Development* and *Net Zero*, BNEF, IHS scenario *green case*, Enerdata scenario *green*. Note: the scenarios used as a benchmark were published in different moments of the year and could not be updated with the latest market dynamics.

To apply the variables of interest at local level at ENDESA, in the definition of the “Paris” scenario, the bottom-up approach was used thanks to long-term equilibrium simulation models of the whole energy system, which

[18] At IIASA, data was collated in relation to the demand for raw materials and the underlying population in the “*Shared Socioeconomic Pathways* (SSPs)”, in which different scenarios are projected that describe the socio-economic changes and the changes in the regulatory framework, in line with the climate scenarios. The data taken from the “SSPs” are used, together with the internal modelisation, to support long-term forecasts such as, for example, those related to electricity demand and raw materials prices.

enabled changes in carbon dioxide (CO_2) emissions to be established to ensure consistency with the objective of zero net emissions in 2050, and consistent, therefore, with the stabilisation of the average global temperature at +1.5°C.

The two alternative “Slow Transition” and “Best Place” scenarios are used for the strategic stress tests, the assessment of risks and the identification of business opportunities.

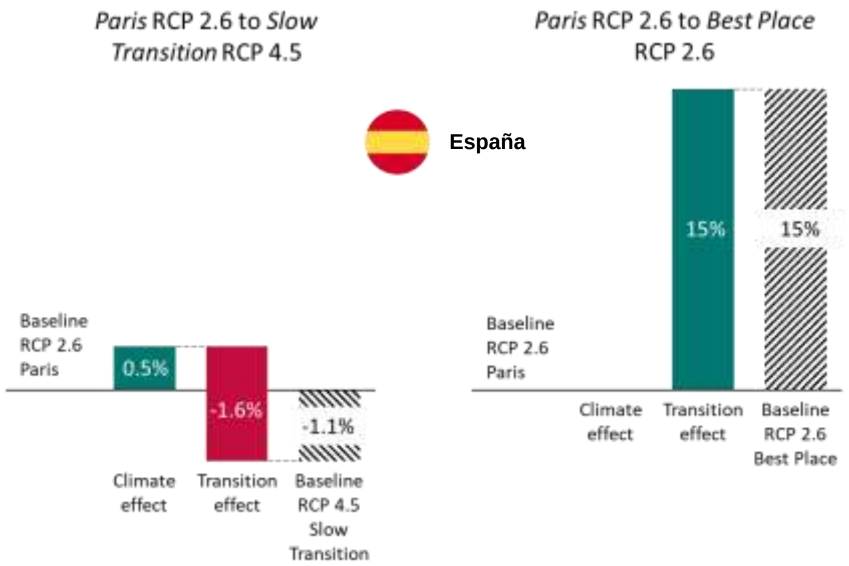
5.3.1.3. Joint effect on the transition scenarios and physical scenarios with respect to electricity demand.

Through the use of integrated energy system models, it is possible to quantify the country's service demand. Such level of details enables the specific effects to be perceived of a change of temperatures on energy needs. For such purpose, the “Paris”, “Slow Transition” and “Best Place” transition scenarios included the effect of an increase in temperature, quantified through the “Heating Degree Days” (HDD) and the “Cooling Degree Days” (CDD), on total energy demand, not only for electricity, for the purposes of air conditioning and heating needs in residential and commercial sectors. The definition of a strategic base scenario aligned with compliance with the Paris Agreement and with the commitments to reduce emissions assumed at European level, has enabled the[19] “Heating Degree Days” (HDD) and “Cooling Degree Days” (CDD) in line with the “Representative Concentration Pathway” 2.6 (RCP 2.6) scenario to be associated with the “Paris” and “Best Place” scenarios and, those in line with the “Representative Concentration Pathway” 4.5 (RCP 4.5) scenario to be associated with the “Slow Transition” scenario. To emphasise the analysis further, this latter scenario was also associated with a “Representative Concentration Pathway” 8.5 (RCP 8.5) scenario. Considering the current policies and the important focus of the European Union to achieve carbon neutrality in 2050, the three scenarios (“Paris”, “Slow Transition” and “Best Place”*)* converge on this result, although the “Slow Transition” scenario is associated with a different and higher “Representative Concentration Pathway” (RCP) scenario, which corresponds to a slower trend in the reduction of greenhouse gas emissions. With respect to the effect of the transition considered independently, the greater speed in attaining carbon neutrality of the “Paris” scenario converts it into a more electrified scenario with respect to the “Slow Transition” scenario, which considers, for the 2030-2050 period, average values lower than electricity demand of around 1.5% in Spain. Also, the important role of green hydrogen in the characterisation of the accelerated scenario makes electricity demand rise by 15% with respect to the “Paris” scenario in Spain.

The speed of the energy transition has an impact on the level of electricity demand that is much greater than the increase in temperature as a result of climate change. The decarbonisation policies, together with the technological innovation and social responsibility, have an active role in the fluctuations in electricity demand and the energy mix in general. In any case, the analysis performed makes it clear that the increase in temperature as a result of climate change involves an increase in electricity demand, although with a reduced impact.

[19] European Commission – Fit for 55: https://www.consilium.europa.eu/it/policies/green-deal/eu-plan-for-a-green-transition/

The Integrated Energy and Climate Plan 2021-2030 (PNIEC) presented by Spain is highly ambitious and is aligned with a “Representative Concentration Pathway” 2.6 (RCP 2.6) climate scenario, which means that the slow transition scenario is very similar to the “Paris” scenario, expecting less variability in terms of changes in the energy system and, consequently, in electricity demand in the period 2030-2050.



To ascertain the impact of temperature on the transition scenarios, and at the same time, to extend the range of assumptions related with climate change, a sensitivity analysis was performed associating the “Slow Transition” scenario with the “Representative Concentration Pathway” 8.5 (RCP 8.5) scenario instead of with the “Representative Concentration Pathway” 4.5 (RCP 4.5) scenario. Assuming an additional increase in temperature, in equal energy transition conditions, involves a lower variation than demand, of around -0.6% in Spain.

5.4. Metrics and objectives.

5.4.1. Reporting model: Transparency.

ENDESA promotes a reporting model based on transparency, to make it clear to stakeholders that its commitment and ambition in the fight against climate change is firm, decisive and realistic.

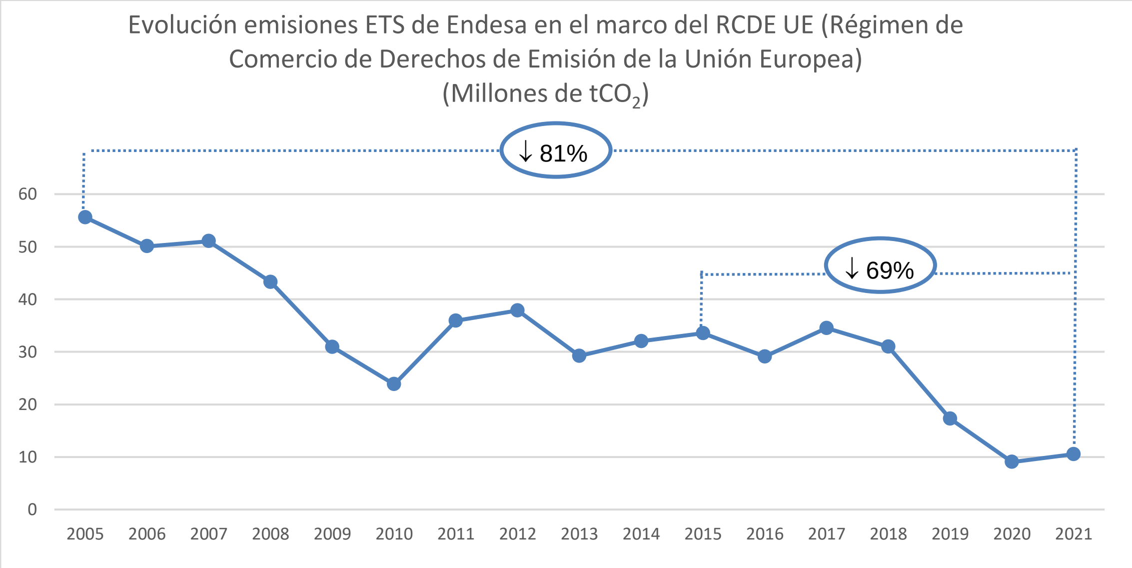
5.4.2. Carbon footprint.

In the current critical moment, the scientific evidence and ambition in the new climate objectives are provoking an integral update of legislation which, undoubtedly, affects all the economic sectors. Companies must be up to the circumstances and make significant changes to their operations, boosting sustainable transformation plans.

ENDESA, as an electricity company, plays a crucial role in the energy transformation and is prepared to address the climate challenges that arise. Hence, it has launched the new 2022-2024 Strategic Plan, which updates its energy transition pledge to become a company totally free from emissions in its generation in 2040. The Plan places decarbonisation at the centre of ENDESA's strategy and defines an important acceleration in the reduction of emissions, thereby permitting its alignment with the 1.5ºC scenario of “Science Based Target Initiative” (SBTi) for the electricity sector.

ENDESA wants to maintain its leadership in the fight against climate change, with a renewed vision at 2030 and a new key milestone, such as the complete decarbonisation in 2040. Each year, ENDESA works on increasing the ambition of its objectives, wishing to provide a response to the needs of society and the planet.

ENDESA ended 2021 consolidating its cumulative trend of reducing emissions. Six years after the adoption of the Paris Agreement, emissions have been reduced by 69% and by more than 81% since 2005, the year in which the Kyoto Protocol entered into force.



ENDESA has calculated and verified the carbon footprint voluntarily since 2009. This process includes the development of a calculation methodology, a proprietary IT tool, the implementation of a management system and the determination of a company-wide inventory of GHG emissions and removals.

ENDESA has registered its carbon footprint since 2013, demonstrating that it is on track to reduce its emissions, according to the criteria established by the Spanish Climate Change Office.

During 2021, ENDESA verified its Carbon Footprint for the 2020 financial year and published the corresponding report (https://www.endesa.com/content/dam/endesa-com/home/prensa/publicaciones/otraspublicaciones/documentos/huella-de-carbono-2020-es.pdf).

The Ministry of Ecological Transition and Demographic Challenge has once again recognised the efforts and results already attained by ENDESA in its Carbon Footprint 2020. In this way, it has become the only company in the energy sector in Spain to attain, for the fourth year running, the triple seal of the Carbon Footprint Register awarded by the Spanish Office for Climate Change to those organisations committed to calculating, reducing and offsetting their emissions.

5.4.3. Direct and indirect carbon dioxide (CO_2) emissions.

ENDESA works constantly to succeed in culminating its reconversion in 2040 towards becoming a completely decarbonised company, thereby frequently intensifying the action needed to attain this purpose as quickly as possible. A sign of this is the reduction in ENDESA's greenhouse gas emissions in recent years (XX% reduction with respect to 2017), even exceeding the objectives committed in the different strategic plans.

	CO_2 (t) Scope 1	CO_2 (t) Scope 2	CO_2 (t) Scope 3
2019	17,474,762	460,890	25,359,022
2020	10,298,310	457,184	21,213,651
2021	10,702,129	470,773	21,737,472

The results included in the table above for 2019 and 2020 are verified values and, at the date of authorisation for issue of this management report, the calculation of the results of ENDESA's Carbon Footprint for 2021 were in the process of external verification. ENDESA calculates and verifies its emissions according to the guidelines contained in the “GHG Protocol”. This international standard provides standards and guidelines for companies and other organisations regarding the development of the greenhouse gas (GHG) emission inventory.

In relation to the slight increase observed in direct emissions in 2021, it is worth mentioning the reactivation of the activity in the post-crisis recovery caused by the COVID pandemic, together with the international energy situation. It should be noted that despite experiencing a slight increase with respect to direct emissions in 2020, the decarbonisation pathway is progressing as committed to in the targets.

Scope	Activities	CO_2eq (t)
Scope 1	Emissions of carbon dioxide (CO_2), methane (CH4) and nitrous oxide (N2O) derived from fuel consumption (coal, fuel/diesel, natural gas, biogas) to produce electricity at generation plants.	10,537,446
Scope 1	Fugitive emissions of methane (CH4) in hydraulic generation reservoirs owned by ENDESA.	49,020
Scope 1	Emissions of carbon dioxide (CO_2), methane (CH4) and nitrous oxide (N2O) derived from fuel consumption in the vehicle fleet itself.	3,409
Scope 1	Emissions of carbon dioxide (CO_2), methane (CH4) and nitrous oxide (N2O) derived from fuel consumption in vessels fleeted by ENDESA to transport liquefied natural gas (LNG).	58,619
Scope 2	Emissions related to the generation of the electricity necessary to offset the technical losses caused during the distribution of electricity not generated by ENDESA (location based).	465,257
Scope 2	Emissions related to the generation of the electricity necessary to offset the technical losses caused during the distribution of electricity not generated by ENDESA (market based).	778,231
Scope 2	Emissions generated due to electricity consumption at non-generator centres (location based).	5,516
Scope 2	Emissions generated due to electricity consumption at non-generator centres (market based).	8,677
Scope 3	Emissions associated with the extraction, production and transport of fuels consumed at ENDESA's thermal generation plants.	2,684,787
Scope 3	Emissions associated with the extraction, production, transport and use of marketed natural gas by the end user.	15,157,936
Scope 3	Emissions associated with the portion of marketed electricity that has not been generated at plants owned by ENDESA.	3,669,216

SF_6 emissions.

In 2021, there were leakages of SF_6 into the atmosphere, equal to 17.3 kt equivalent carbon dioxide (CO_2) emissions.

In 2021, ENDESA maintained the commitments agreed in the framework of the 2015-2020 Voluntary Agreement, upon the expectation of signing a new voluntary agreement between the Ministry of Ecological Transition and Demographic Challenge and the main players of the Spanish energy sector, for a more respectful integral management with the environment for the use of SF_6 in the electricity industry. The essential objective is to contribute to reducing greenhouse gas emissions in widespread sectors, assigned to Spain.

Thanks to the data sent by all the components of the Voluntary Agreement to the inventories unit of the Ministry of Ecological Transition and Demographic Challenge, compliance was proven with the SF_6 emission reduction targets for the manufacturing and installation, service and maintenance phases for electrical equipment that use SF_6, in 2021.

Intensity of emissions.

The intensity of carbon dioxide (CO_2) emissions is calculated from certified "Emissions Trading System" (ETS) direct emissions from thermal generation facilities, divided by net electricity production.

The following table shows the variations in emission intensity.

	Absolute(1) (Tons)	Specific(1) ($kgCO_2/kWh$)
2019	17,287,446	0,282
2020	10,127,975	0,180
2021	10,512,071	0,182

(1) The intensity of carbon dioxide (CO_2) emissions is calculated from certified "Emissions Trading System" (ETS) direct emissions from thermal generation facilities, divided by net electricity production.

To evidence ENDESA's path of emission reductions in accordance with the target set in the 2021-2023 Strategic Plan to reduce specific Scope 1 carbon dioxide (CO_2) emissions equivalent to 150 gCO_2eq/kWh in 2023 and below 95 gCO_2eq/kWh in 2030, a level of emissions aligned with the “Science Based Targets initiative” (SBTi) criteria to limit the increase in temperature to 1.5ºC, the intensity of Scope 1 emissions was calculated which, in 2021, stood at 186 gCO_2eq/kWh.

5.4.4. Targets.

Time horizon	Year	Greenhouse Gas (GHG) emission reduction target.
Current	2024	Specific Scope 1 greenhouse gas emissions: 145 (g/CO2e/kWh). (~-67% with respect to 2017).
At medium term	2030	Specific Scope 1 greenhouse gas emissions: <95 (g/CO2e/kWh). (~-80% with respect to 2017).
Non-current	2040	Total decarbonisation of the energy mix without using carbon dioxide (CO_2) offset instruments (alignment with net zero objectives in 2040).

The 2022-2024 Strategic Plan updates ENDESA's pledge for energy transition to become a company totally free from emissions in 2040.

Investment in renewable energy contemplated in this Plan amounted to Euro 3,100 million to ensure that 92% of peninsula production is free from carbon dioxide (CO_2) emissions at the end of 2024.

Together with the update of this Strategic Plan, ENDESA has reviewed with more ambitious criteria the vision of its main business objective on the 2030 horizon, including as a target the obtainment of specific Scope 1 emission of less than 95 gCO_2e/kWh (which represents a reduction of 80% with respect to 2017).

The ambitious objective of bringing forward to 2040 the complete decarbonisation of ENDESA's activities will be attained on the basis of four procedural axes included in its Strategic Plan:

- The deployment of new renewable capacity making all generation activities 100% free from emissions (inside and outside of the Iberian Peninsula), from 40% in 2021 and 70% estimated in 2030;
- The hybridisation of renewable facilities with storage technologies and green hydrogen production:
- Exit from the coal business in 2027;
- Exit from the retail gas supply business in 2040; and
- An investment plan totally aligned with the zero net emissions objectives at 2040.

5.5. Transparency and recognition.

5.5.1. CDP.

In 2021, more than 590 institutional investors with assets worth US dollar 110 trillion and more than 200 large clients with US dollar 5.5 trillion in purchasing volume, have urged companies to disclose their performance on environmental impacts, risks and opportunities through the Carbon Disclosure Project (CDP) platform on climate change, hydrological security and forests. This same year, more than 13,000 companies and 1,100 cities, states and regions have responded to the proposed questionnaires, revealing their environmental impacts.

Since 2006, ENDESA has participated in the "CDP Climate Change" initiative, the most prestigious climate change index, which provides global information on the management of the risks and opportunities identified by the largest companies worldwide.

In 2021, ENDESA renewed its “Leadership” rating for the third year running.

5.5.2. Climate Projects.

ENDESA continues to participate in the Climate Projects led by the Spanish Climate Change Office and, for the third consecutive year, it obtained the "Certificate of Recognition of Verified Emission Reductions" from the Ministry of Ecological Transition and Demographic Challenge, after a thorough process of verifying its projects in 2021.

Climate Projects are projects promoted by the Ministry of Ecological Transition and Demographic Challenge, through the Carbon Fund for Sustainable Economy (FES-CO_2), with the primary objective of reducing greenhouse gas (GHG) emissions in the so-called "non-ETS sectors" and of marking a path of transformation of the production system towards a low carbon model.

In 2021, ENDESA was recognised for its verified emission reductions thanks to seven activities focused on the areas of mobility and sustainable engineering.

Within the field of Sustainable Mobility is the Electric Mobility Plan through Car-Sharing (Canary Islands, Zaragoza, Madrid and Malaga), which aims to promote a modal change in the use of employee transport, encouraging the utilisation of electric vehicles instead of taxis for commuting to work, with the consequent reduction of emissions that this entails.

Furthermore, the 2017, 2018 and 2019 Employee Electric Mobility Plans are in place, once again offering employees the possibility of obtaining an electric vehicle at a lower cost for an extendable period of three years. Lastly, the Electric Mobility Plan for construction vehicles aims to replace combustion vehicles used in the displacements of construction works of new renewable plants, with 100% electric vehicles, thus reducing carbon dioxide (CO_2) emissions.

Lastly, the Sustainable Engineering programme includes on-site sustainable engineering activities using solar energy. This project involves the installation of photovoltaic plates in construction works of new renewable plants to generate electricity, thus reducing the consumption of fossil fuels in generator sets.

Through participation in Climate Projects, ENDESA achieved recognition for the reduction of more than 300 tons of carbon dioxide (CO_2) in 2021, totalling over 2,000 tons of carbon dioxide (CO_2) avoided since the commencement of recognition of the Climate Projects.

6. Main risks and uncertainties associated with ENDESA's activity.

Information on ENDESA, S.A.'s General Risk Control and Management Policy is included in Note 13 to the financial statements for the year ended 31 December 2021.

6.1. General Risk Control and Management Policy.

The General Risk Control and Management Policy lays down the basic principles and the general framework to control and manage risks of any kind that could affect the attainment of targets, ensuring that they are systematically identified, analysed, assessed, managed and controlled within the risk levels set. The General Risk Control and Management Policy identifies the different types of risk, financial and non-financial (including operational, technological, legal, social, environmental, political and reputational, including those related to corruption) faced by the Company, including among the financial or economic risks, any contingent liabilities and other risks not included in the statement of financial position.

The General Risk Control and Management Policy seeks to guide and lead the series of strategic, organisational and operational activities that enable the Board of Directors of ENDESA, S.A. to identify precisely the acceptable risk level, so that the managers of the various business lines, staff and service functions can maximise the Company’s profit, maintaining or increasing its equity and the certainty of this occurring above certain levels, preventing future uncertain events from undermining the Company’s profit targets set, its operations, sustainability, resilience or reputation in a sustained manner over time, contributing an adequate level of guarantees to the shareholders and safeguarding their interests, those of the customers and of other stakeholders.

The General Risk Control and Management Policy is implemented and supplemented with other specific risk policies of business lines, staff and service functions, as well as with the limits established for optimum risk management in each one of them.

The General Risk Control and Management Policy materialises through an Internal Control and Risk Management System, which comprises an organisation, principles, a regulatory system and a risk control and management process.

The Internal Control and Risk Management System (SCIGR) complies with a model based, firstly, on the ongoing study of the risk profile, applying the current best practices in the energy sector or benchmark practices in risk management, on criteria to standardise measurements within the same risk type, on the separation of risk managers and risk controllers and, secondly, on ensuring that the risk assumed is proportional to the resources required to operate the businesses, always optimising the risk-return ratio, as determined by the Board of Directors of ENDESA, S.A..

The risk control and management model implemented at the Company is aligned with international standards, following a methodology based on the three-line model.

The Internal Control and Risk Management System is organised through independent risk control and management functions, which ensure an adequate separation of functions. The main governing bodies in the risk control process are as follows:

– **ENDESA's Criminal Risk Prevention and Anti-Bribery Supervision Committee**: it is a collegiate body endowed with autonomous powers of initiative and control with respect to criminal risks, which is supervised directly by the Audit and Compliance Committee. Supervise the compliance and update of the Model to prevent criminal risks that may generate criminal liability for ENDESA, S.A.

- **Transparency Committee:** the Transparency Committee is presided by the Chief Executive Officer and is formed by the main executives of ENDESA, including all members of the Executive Management Committee, together with other members of ENDESA, S.A.'s management directly involved in the preparation, certification and disclosure of financial and non-financial information. Its main purpose is to ensure compliance with and the correct application of the general principles of financial information and non-financial information (confidentiality, transparency, consistency and responsibility) by evaluating the events, transactions, reports or other significant matters that are externally disclosed and determining the manner and deadlines for making these disclosures. Likewise, the Transparency Committee is ENDESA, S.A.'s Management body, which assesses the conclusions on compliance with and the effectiveness of the Internal Control Over Financial Reporting and Non-Financial Reporting System and the internal controls and procedures concerning market disclosures, taking corrective and/or preventative action in this regard. The conclusions of the Transparency Committee are subsequently transferred to the Audit and Compliance Committee.

- **Risk Committee**: supervises the management and monitoring of all the risks, specifically including tax risks, and excluding criminal risks and those relating to the Internal Control Over Financial Reporting and Non-financial Reporting System, transferring the results of its deliberations and conclusions to the Audit and Compliance Committee.

The General Risk Control and Management Policy defines the Internal Control and Risk Management System as an inter-linked network of legislation, processes, controls and IT systems, in which global risk is defined as the risk resulting from the complete vision of all risks to which it is exposed, taking into account the mitigating effects between the various risk exposures and risk categories, enabling the risk exposure of the Group's different units to be consolidated and evaluated, and the corresponding management information to be drawn up for decision-making on risk and the appropriate use of capital.

The risk control and management process consists of identifying, assessing, monitoring and managing the different risks over time, and envisages the main risks to which the Company is exposed, both endogenous (due to internal factors) and exogenous (due to external factors).:

- **Identification**: the risk identification process aims to generate the risk inventory based on events that could prevent, impair or delay the meeting of targets. The identification should 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 can be used to measure the economic and reputational impact of all the risks so that they can be subsequently prioritised. This assessment includes different methodologies in line with the risk characteristics such as, for example, the valuation of scenarios and the estimation of potential loss from the evaluation of impact and probability distributions.

- **Follow-up**: the objective is the monitoring of the risks and the establishment of the management mechanisms that enable the risks to be maintained within the established limits, and to take the appropriate management actions.

- **Management**: the purpose is to implement actions aimed at adjusting risk levels to optimum levels and respecting the limits set in all cases.

ENDESA, S.A. constitutes the central element of the system, from which other documents and specific policies arise, for example, the Tax Risk Management and Control Policy or the Criminal Regulatory and Anti-Bribery Compliance Policy, which are approved by ENDESA, S.A.'s Board of Directors, in which the risk and control catalogues are defined.

In addition, in view of the growing interest in the management and control of the risks to which companies are exposed, and given the complexity of their identification from a comprehensive point of view, it is important for employees to take part at all levels of this process. A risk mailbox has now 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 to send communications in connection with breaches of ethical conduct and criminal, tax and employment risks.

The information regarding ENDESA's risk management and the use of derivative financial instruments is provided in Notes 13.1 and 14 to the financial statements for the year ended 31 December 2021.

The Annual Corporate Governance Report, which describes ENDESA, S.A.'s risk control and management systems, forms an integral part of this management report (see Section 13. Annual Corporate Governance Report required by article 538 of Royal Decree Law 1/2010, of 2 July, approving the Corporate Enterprises Act of this management report).

6.2. ENDESA's Criminal Risk Prevention and Anti-Bribery Model.

ENDESA, S.A. is aware that the sustainable compliance with its corporate responsibilities should also include constantly striving for excellence in terms of business ethics in all decision-making processes, which must be understood in a corporate environment that strictly complies with the most-advanced national and international standards, practices and principles applicable in the area, as a basic pillar of company operations.

Organic Law 5/2010, of 22 June, amending Organic Law 10/1995, of 23 November, of 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 system 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, newly amended Organic Law 10/1995, of 23 November, on the Criminal Code, to transpose European Union Directives in the areas of finance and terrorism and to address international matters.

In line with these legal requirements, ENDESA, S.A. has equipped itself with 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 and anti-bribery risk prevention model: document that provides ENDESA, S.A. with a control system aimed at preventing criminal offences within the company, complying with the provisions of the applicable regulations on the criminal liability of legal persons.

- Protocol in the case of an Authority's Action under article 31 Bis of the Criminal Code: procedure for an adequate response in case of a risk of criminal responsibility of any ENDESA, S.A. company.

- Code of Ethics: document setting out the ethical commitments and responsibilities in the management of businesses and business activities assumed by ENDESA, S.A.'s employees, whether directors or employees of any kind, at these companies.

- Zero Tolerance Plan against Corruption: document that represents ENDESA, S.A.'s firm commitment to the fight against corruption, which is the result of its membership of the United Nations Global Compact.

- Corporate Integrity Protocols:

    - Action protocols in matters of conflicts of interest, exclusive dedication and commercial competition.

- Protocol for accepting and offering presents, gifts and favours.

- Action protocol for dealing with public servants and the authorities

The Criminal and Anti-Bribery Compliance Policy is another part of these internal regulatory instruments. Together with those mentioned above, they all make up ENDESA, S.A.'s Criminal and Anti-Bribery Compliance Management System, an integrated body of provisions that not only respects Spanish legal requirements in this area, but is also sufficient to meet the expectations reasonably placed on organisations that operate with the highest levels of commitment in advanced markets, such as ENDESA, S.A.

At 31 December 2021, 540 employees had received training in anti-bribery policies and procedures (43%) (1,248 employees (19%) at 31 December 2020).

Since October 2017, ENDESA, S.A.'s Criminal and Antibribery Compliance Management System has been accredited by AENOR, in accordance with “UNE 19601” (Compliance Management) and “UNE-ISO 37001” (Antibribery Management) Standards, which were successfully renewed from that date, and which were in force at the date of preparation of the management report.

The Audit and Compliance Committee is responsible for checking the correct application of the “Criminal Regulatory and Anti-Bribery Compliance System”, for which purposes it has the backing of 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 for the prevention of criminal risks according to its Rules of Procedure.

In 2021, the Company fully complied with all of the processes put in place to correctly apply the Code of Ethics.

Below are details of the average number of training hours per employee, the number of complaints of different types received for breaches of the Code of Ethics, the number of violations of said code, indicating which of them are related with corruption and/or fraud:

	Number		% Var
	2021	2020	
Total complaints received for possible breaches of the Code of Ethics	1	1	-
Proven breaches of the Code of Ethics	-	-	-
Related with corruption and/or fraud	-	-	-

6.3. Internal Control Over Financial Reporting System.

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

The Internal Control Over Financial Reporting System is a part of the Company's internal control and is set up as a series of the Company's complete processes to provide reasonable assurance with respect to the reliability of the internal and external financial information. The Internal Control Unit of ENDESA, S.A. is the area responsible for identifying the most relevant processes, activities, risks and controls of the Internal Control Over Financial Reporting System considered material to provide reasonable assurance that the information disclosed by ENDESA, S.A. to the market is reliable and adequate.

The documentation of the processes that form part of ENDESA, S.A.'s Internal Control Over Financial Reporting System includes detailed descriptions of the activities relating to the financial reporting process from the initial recognition to the ultimate accounting entries and their subsequent disclosure, passing by their authorisation and process, and which were prepared in line with the following basic objectives:

- Identification of the critical processes related directly and indirectly to the generation of financial information

- Identification of the risks intrinsic to these processes which could give rise to material financial reporting errors (typically related to completeness, validity, recognition, cut-off, measurement and presentation)

– Identification and categorisation of the controls in place to mitigate these risks.

Every six months, ENDESA, S.A. assesses the Internal Control Over Financial Reporting System, in which each of the control heads of the Internal Control Over Financial Reporting System evaluates both its design and its effectiveness. Within the model, an on-going verification process is additionally performed of the Internal Control Over Financial Reporting System by an independent expert. The findings of both processes are reported to:

a) The Board of Directors which, in conformity with the Corporate Enterprises Act, has the indelegable power to supervise the internal information and control systems; and

b) The Audit and Compliance Committee which, in conformity with the Corporate Enterprises Act, includes among its functions, the supervision of the effectiveness of the Company's internal control.

In June 2020, the Code of Good Governance of Listed Companies, approved by the Spanish Securities Market Commission, established the supervision and assessment of the preparation and integrity of the non-financial information as a competence of the Audit Committee. The non-financial information must be prepared in line with the same veracity and integrity requirements as financial information; hence it must guarantee an adequate internal control system thereover. In 2020, ENDESA, S.A. opted to apply non-financial information, with specific additional controls, its Internal Control Over Financial Reporting System to also guarantee the integrity and veracity of the non-financial information. Furthermore, since 2021, ENDESA, S.A. commenced the extension of the Internal Control Over Financial Reporting System methodology with an end-to-end scope on the non-financial information and sustainability of a legal nature, to guarantee the existence of the supervision of processes and systems, risk identification and the design and implementation of adequate controls.

6.4. Risk control and management.

ENDESA, S.A. has established a risk control and management process that enables it to obtain a complete vision of all the risks to which it is exposed, taking into account the mitigating effects between the various risk exposures and risk categories, and the corresponding management information to be drawn up for decision-making on risk and appropriate use of capital.

The Risk Committee supervises the management and monitoring of all the risks, specifically including tax risks, and excluding criminal risks and those relating to the Internal Control Over Financial Reporting and Non-financial Reporting System. The mission of the Risk Committee is as follows:

– Actively participate in drawing up the risk strategy and in important decisions regarding its management;

– Ensure the proper functioning of the risk control and management systems and that all important risks that affect the Company are appropriately identified, managed and quantified.

– Ensure that the Internal Control and Risk Management System appropriately mitigates the risks;

– Ensure that senior management participates in strategic risk management and control decisions;

– Regularly provide the Board of Directors with a comprehensive view of current and foreseeable risk exposure;

– Ensure coordination between the risk management units and the units under its control;

– Encourage a culture in which risk is a factor to take into account in all decisions and at all Company levels.

The Risk Control Area is the area delegated by the Risk Committee to define the procedures and rules of the Internal Control and Risk Management System to ensure the adequate identification, definition, management and quantification of all risks that affect the Company in a homogenous and periodic manner, including off-balance sheet risks, and to monitor risk exposure and the control activities implemented.

In line with that stipulated in the procedures and internal operating instructions, the Risk Control area is tasked with preparing the following documents for the risks in their scope of application:

– The **Risk Appetite Framework of ENDESA, S.A.**, , which determines the main risk indicators, the levels of risk considered acceptable and the management and mitigation mechanisms, and which is approved by the Board of Directors of ENDESA, S.A.

– The **Risk Map of ENDESA, S.A.**, , which provides a prioritised view of the significant risks and is approved by the Board of Directors of ENDESA, S.A.

– The **Monitoring Reports,** which guarantee compliance with the limits set and the effectiveness of the mitigation measures to provide a response to the risks, the conclusions of which are frequently notified to the Audit and Compliance Committee.

To carry out its functions, the Risk Control area is supported by other areas and committees that have specific and complementary risk control and management models and policies. Accordingly, for example, in the tax area, ENDESA, S.A.'s Board of Directors has also approved a Tax Risk Management and Control Policy to guide and direct strategic, organisational and operating activities to enable Tax Affairs employees and the different departments at the organisation whose work involves the company's taxation, to attain the objectives set as part of the Company's Tax Strategy in terms of tax risk management and control.

In accordance with the regulations of ENDESA, S.A.'s Audit and Compliance Committee, which indicates that a performance assessment shall be frequently performed of the internal risk control and management function by an external independent party, which will be selected by the Audit and Compliance Committee, the Committee requested an independent expert to issue a report that reflected the conclusions of the integrated assessment of ENDESA's Risk Control and Management System (specifically, Risk System, Criminal Risk Prevention and Anti-Bribery System and Tax Risk System), and it was informed of the conclusions reached in relation to the supervision of the risk control function: ENDESA is one of the listed companies and companies of the electricity sector most aligned with the best practices applicable.

6.5. Main risks and uncertainties.

As the Parent of a group of companies, ENDESA, S.A. is exposed to the same risks as the ENDESA Group, as any risk occurring at 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.

The main risks that may affect ENDESA's operations, including those arising from the COVID-19 health crisis, are summarised below:

Risk	Section	Description	Metrics	Relevance (3)
Strategic risks	a.1, a.2, a.3, a.4 and a.5	Risk derived from the possible loss of value or earnings as a result of strategic uncertainties, uncertainties regarding the competitive environment and macroeconomic conditions and social or political uncertainties and alterations in the regulatory framework (regulatory risk), including those tied to climate change, which guarantee ENDESA's sustainability and appeal to its stakeholders.	Scenarios (1)	High
Financial risks	b.1 and b.2	ENDESA's business is largely dependent on the constant supply of large amounts of fuel to generate electricity; on the supply of electricity and natural gas used for its own consumption and supply; and on the supply of other commodities, the prices of which are subject to market forces which may affect the price and the amount of energy sold by ENDESA	Stochastic (2)	High
	b.3	ENDESA's activities could be affected by changes in natural resources and climate and weather conditions.	Stochastic (2)	Average
	b.4 and b.5	Risks of interest rates and self-financing ability (liquidity).	Stochastic (2)	Disposals
	b.6	ENDESA is exposed to credit risk.	Stochastic (2)	High
Risks associated with digital technologies	c.1, c.2	Risks associated with ENDESA's activity management through information technologies, crucial to your business and cybersecurity.	-	(4)
Operational risks	d.1	ENDESA is exposed to risks associated with the construction of new electricity generation and distribution facilities.	Scenarios (1)	Disposals
	d.2 and d.3	ENDESA's activity may be affected by failures, breakdowns, problems in carrying out the planned works or other problems that cause unscheduled non-availability and other operational risks.	Scenarios (1)	Average
	d.4 and d.5	Risk relating with the Occupational Health and Safety of the people that work for ENDESA, talent management and the difficulty of maintaining an adequate employment climate.	-	(4)
	d.6	ENDESA's business could be adversely affected by a possible inability to maintain its relations with suppliers or because the available supplier offering is insufficient in terms of quantity and/or quality, as well as supplier failures to maintain the conditions of the service provided, limiting the possibilities of operability and business continuity.	Stochastic (2)	Disposals
Compliance risks	e.1, e.2, e.3, e.4, e.5, e.6 and e.7	Risk derived from the breach of obligatory regulations, legal risks or from the uncertainty caused by the exercise of third-party legal actions, particularly from public administrations in the compliance with or the interpretation of obligations, contracts, or regulations. This risk is associated both with compliance with current regulations and with changes in the interpretation of said regulations (civil, mercantile, criminal, tax, etc.)	-	(4)
Corporate governance and culture risk	f.1	Risk arising from the fact that the Company's main audience perception, assessment or opinion could be seriously affected due to the Company's own actions, events that are wrongly or unfairly attributed to it, or to events of a similar nature that affect the entire sector and are projected on the Company in a more marked or damaging fashion.	-	(4)

(1) Scenario: calculated as the loss arising from the different hypothetical situations.
(2) Stochastic: calculated as the loss that could be incurred with a certain degree of probability or trust.
(3) The significance of the risks is measured based on the expected potential loss: High (exceeding Euro 75 million), Average (between Euro 10 million and Euro 75 million) and Low (less than Euro 10 million).
(4) They relate to risks whose impact may be difficult to quantify economically (in general, high impact and probability, following 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 subsidiaries are subject to broad regulations on tariffs and on other aspects of their activities in Spain and Portugal, regulations which, in many ways, determine the manner in which ENDESA carries out its business and the revenues it receives from its products and services.

ENDESA is subject to a complex group of laws and other regulations applied by both public and private bodies, which include the Spanish Markets and Competition Commission (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 European Union (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 cannot adapt and manage correctly the environment arising from them.

a.2. ENDESA is affected by climate changes arising from human action, which has an impact on both physical and transitional aspects.

ENDESA maintains a decisive pledge in the fight against climate change and, hence, decisions are taken at the most senior management level. One of the main pillars of the Company's strategy is climate change, and ENDESA, S.A.'s Board of Directors is responsible for its development and implementation (see section 5 of the management report for the year ended 31 December 2021).

As proof of this commitment, ENDESA has assumed the objective of achieving full decarbonisation in 2040 and a reduction of the specific carbon dioxide (CO_2) emissions of 80% in 2030 with respect to 2017. These objectives, which involve changes in the generation park towards a free emissions model, represent the alignment of the company with the objectives of the Paris Agreement and with the latest scientific findings.

As we indicated previously, the General Risk Control and Management Policy identifies the different types of risk, financial and non-financial (including operational, technological, legal, social, environmental, incorporating those related with climate change, political and reputational risks, including those related to corruption) faced by the ENDESA. The financial or economic risks include any contingent liabilities and other risks not included in the consolidated statement of financial position.

For further information on risk management, see the General Risk Control and Management Policy published on the Company's website (https://www.endesa.com/es/accionistas-e-inversores/gobierno-corporativo/politicas-corporativas.html).

The process of identifying risks and opportunities includes those related to climate change: transition risks, related to regulation, new technologies, market changes and reputation, and those related to potential physical impacts related to climate change.

All organisational levels are involved in the risk identification and assessment process in a coordinated manner, led by the Company's Risk Control System. Each line of business and facility identifies and evaluates the risks and opportunities arising from its activities, also derived from its geographical location. Specifically for climate change, risks are assessed based on established risk tolerance levels, considering: exposure (climate impacts that can affect facilities), sensitivity (potential effects and their implications for business or facilities), and vulnerability (ability to adapt to overcome the impacts of climate change considering financial, technological and knowledge requirements).

Climate change and 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 different Company businesses, ENDESA has defined a reference framework. Risks are classified into physical and transitional. Physical risks are in turn classified into acute (extreme events) and chronic events. The former are presented as a result of extreme intensity weather conditions, and the latter are related to gradual and structural changes in climatic conditions. Extreme events expose ENDESA to potential unavailability, variable duration, at facilities and infrastructures, repair costs, customer complaints, etc. The chronic change in climatic conditions exposes ENDESA to other risks and opportunities, such as changes in the production system of different technologies, as well as changes in electricity demand. In reference to the energy transition to a more sustainable model, characterised by a progressive reduction in carbon dioxide (CO_2) emissions, risks and opportunities linked to both the regulatory context and to the tendencies of technological development, electrification and concomitant market developments are identified.

In line with the climate and transition scenarios adopted to define risks and opportunities, changes in customer behaviour, industry strategies in different economic sectors and regulatory changes are beginning to be identified. ENDESA wants to play an active role in the transition, and therefore defines facilitating measures in its Strategic Plan, to make the most of the opportunities that are presented, identified thanks to the analyses carried out on the basis of scenarios. All this means that 89% of the investments provided for in the 2022-2024 Strategic Plan are aimed at climate action.

Scenario	Risk and opportunity category	Temporary horizon	Description	Description of the impact	Management mode
Acute physique	Extreme events	From the short term (1-3 years)	Risk: extreme weather events because of their intensity.	Extreme events can cause impact in terms of facility damage and reduced availability.	ENDESA adopts the best practices for incident management. With regard to insurance risk management, the Company runs a Loss Prevention programme for property risks, also aimed at assessing the main exposure factors associated with natural events. Changes in climate developments expected to occur in the long term will also be considered in the evaluation in the future.
Chronic physical	Market	From the long term (2030-2050)	Risk / Opportunity: increase or decrease in production and electricity demand.	Electricity demand is also influenced by temperature, whose variations can have an impact on the results. Renewable production can also be affected by the structural changes in the availability of renewable resources	Geographical and technological diversity allows the impact of variations (positive or negative) of a single variable to be reduced. To adequately manage the impact of weather events, activities of weather forecasting, monitoring and real-time control of facilities, long-term climate scenarios are launched.
Transition	Policies and regulation	From the medium term (2025-2030)	Risk / Opportunity: price policies and carbon dioxide (CO_2) emissions; incentives for energy transition; resilience regulations.	The effects of energy transition and resilience policies can have an impact on investment.	ENDESA minimises risk exposure through the progressive decarbonisation of your production park. ENDESA's strategic actions mitigate potential risks and take advantage of the opportunities associated with the energy transition. ENDESA also participates in public processes to define policies and regulation.
Transition	Market	From the medium term (2025-2030)	Risk / Opportunity: changes in the price of raw materials and energy; variations in the energy mix; change in consumption in the residential sector.	Considering two alternative transition scenarios, ENDESA assesses the effects of variations in terms of renewable penetration into the energy mix and electrification to assess potential impacts.	ENDESA maximises opportunities through an energy transition-oriented strategy, strong development of renewable production and a clear commitment to demand electrification.
Transition	Products and services	From the medium term (2025-2030)	Opportunity: higher margins and greater investment capacity as a result of the transition, considering the penetration of new electricity technologies for domestic consumption, and electrical transport.	The evolution of transport and residential electrification will have potential impacts on the business.	ENDESA maximizes opportunities with strong strategic positioning on new business opportunities and services.
	Technology	From the medium term (2025-2030)		Considering different alternative transition scenarios, ENDESA assesses, based on the performance of transport electrification, the potential opportunities to increase its investments.	ENDESA maximises opportunities thanks to a strong strategic positioning in electrical infrastructure.

ENDESA establishes its Strategic Plan with a vocation to minimise risks and maximise opportunities, considering the medium- and long- term phenomena identified in its conception.

The risk and opportunity framework in the table above highlights the relationships between physical and transition scenarios and factors that influence ENDESA's businesses. Such effects, related to the scenario phenomena described, materialise in different time horizons, which leads to an assessment of their impact over three time horizons:

- Short-term (1-3 years), in which sensitivity analyses can be made from the Strategic Plan presented to markets on 25 November 2021.
- 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.

At Group level, in 2021, a policy was published on the "Risks and Opportunities of Climate Change" to establish common guidelines to integrate climate and transition scenarios in the processes and activities, informing of the industrial and strategic choices to improve resilience. The main steps to integrate the scenarios are as follows: definition and analysis of scenarios, assessment of impacts and operating and strategic actions.

Chronic and acute physical risks and opportunities.

With reference to the risks and opportunities associated with physical variables, and by reference to the scenarios defined by the Intergovernmental Panel on Climate Change (IPCC), an attempt is made to assess the trend of the following variables and operational and industrial phenomena as potential risks and opportunities.

- **Chronic physical changes and potential risks and associated opportunities.**

It is clear from the scenarios prepared in conjunction with the Earth Sciences Department of the International Centre for Theoretical Physics (ICTP) that there is no evidence of major changes before 2030 and that variations could begin to be seen in the period 2030 to 2050. The main impacts as a result 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 in the average temperature level of water bodies with an effect on thermoelectric production.

- Hydroelectric production: variation in the average level of rain and snow and of the temperatures with a potential increase and/or reduction of hydroelectric production.

- Photovoltaic production: variation in the average level of solar radiation, temperature and rainfall with a potential increase and/or reduction in photovoltaic production.

- Wind production: variation in the average wind level with a potential increase and/or reduction in wind production.

An identification has been made of the impacts related to the most relevant chronic physical changes for each generation technology, and an analysis has been initiated to ascertain the impact on their productibility, taking into account the facilities individually. In addition to the technologies included in the table, at Group level, geothermal generation was also assessed.

- **Acute physical changes and potential risks and associated opportunities.**

The intensity and frequency of acute physical phenomena, extreme events, can cause significant unexpected damage to installations and potential consequences arising from service interruptions.

Acute physical phenomena (gales, floods, heat waves, cold waves, etc.) are characterised by high intensity and moderate occurrence frequency in the short term, but with upward trends in long-term climate scenarios.

Due to that indicated previously, the risk is currently managed associated with the occurrence of extreme events in the short term, at the same time extending the methodology to more extensive time horizons (until

2050), in accordance with the climate scenarios selected ("Representative Concentration Pathway 8.5, 4.5 and 2.6).

- **Methodology of risk assessment against extreme events.**

For the quantification of risk against extreme events, ENDESA uses a consolidated methodology for catastrophic risk analysis, used in the insurance area and also in the reports of the Intergovernmental Panel on Climate Change (IPCC[20]).

The methodology can be applied to all analysable extreme events, such as gales, heat waves, floods, etc. In all types of natural disaster, the following are noted:

- The probability of the event (Hazard), that is, the theoretical frequency in a given period of time: the return period. Risk maps are prepared which are associated, for the different types of extreme event in each geographical point of the map, with the corresponding estimate of the frequency associated with the extreme event.

- The vulnerability, which indicates, in percentage, the value lost or affected as a result of the extreme event. This allows both the impacts on the facilities and the impact on service continuity, both production and distribution, to be considered. ENDESA performs vulnerability analyses of its facilities, allowing a matrix that relates installation types to the extreme events that may significantly affect them.

- The exhibition is the set of economic values, present in ENDESA's portfolio, which can be impacted in a non-negligible way faced with catastrophic natural events. Specific analyses are also carried out for this parameter for different production technologies, for distribution infrastructures and for services provided to the end customer.

All combination of all three factors (event probability, vulnerability and exposure) are the key element for relevant risk assessment as a result 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 impact assessment as a result of extreme events:

Temporary horizon	Probability of the event	Vulnerability	Exposure
Current (1-3 years)	Probability maps based on historical series and weather models.	The vulnerability is related to the type of event, and to technology, and is quite independent of the time horizon.	ENDESA values in the short term.
Non-current (until 2050 and/or 2100)	Probability maps and specific studies for the different RCP climate scenarios of the Intergovernmental Panel on Climate Change (IPCC).		Tendency of ENDESA values in the long term.

The image includes the importance of the different extreme events for certain types of facilities present in ENDESA's portfolio (in addition to the technologies included in the table, at Group level, geothermal generation has also been assessed):

[20] 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.

- **Insurance.**

ENEL annually defines insurance coverage programmes for its different businesses, covering all of the Group's subsidiaries, including ENDESA. The two main programmes are:

- The Global Property Programme covers, under policy conditions, the costs of rebuilding the affected facility, and the economic loss as a result of the failure to operate the facility.

- The Liability Global Programme covers, under the conditions of the policy, damage to third parties for whose activity ENEL is civilly responsible due to the performance of the activity, including what can be the consequence of the impact of extreme events on the Company's facilities.

Policy conditions are defined on the basis of an adequate risk assessment, including extreme events associated with climate change. As seen in past events, the impact on ENDESA's activities of extreme events can be significant.

In any case, the preventive maintenance actions of the generation and distribution facilities performed by ENDESA are also important and necessary. These actions allow, on the one hand, the mitigation of the impact as a result of extreme events, and, on the other hand, the optimisation of the costs of global insurance programmes.

Adaptation to climate change.

In the short term (1-3 years) ENDESA implements procedures to effectively manage the extreme events and the chronic physical changes and to therefore reduce the impact on its businesses.

Among the main activities needed to adapt to Climate Change, in the short term, risk assessment and management associated with extreme events is of great importance in the short term. Work is also performed to progressively integrate quantitative assessments of chronic physical changes thanks to climate scenarios. This information helps the taking of strategic and industrial decisions, taking into account, for example, future temperature effects on electricity demand or long-term changes in the availability of renewable resources, both for new facilities and for the existing facilities.

This approach is considered both for activities and new facilities and for existing facilities. The adaptation solutions may include both actions implemented at short term and long-term decisions, for example, the planning of investments as a response to climate phenomena. The adaptation activities also include procedures, policies and best practices.

For new investments, it is now possible to act from the design and construction phase to reduce the impact of climate risks, for example, through a risk and vulnerability assessment in the design phase, and to take into account the possible chronic effects such as, for example, the inclusion of climate scenarios in the estimates of long-term renewable resources.

Once the significant meteorological and climate phenomena have been identified, the activities to be performed to maximise the ability to adapt can be classified into: preparation against adverse events, their management and the enhancement of facility resilience.

- **Generation.**

The following procedures stand out:

- Improved cooling water management systems to compensate for possible flow reductions in rivers.
- Fogging Systems to improve airflow and offset power reduction as a result of increased room temperature at combined cycle generation facilities.
- Installation of pumps for drainage, periodic cleaning of canals and other actions to eliminate risks of landslides as a result of torrential rains or floods.
- Periodic re-evaluation for hydroelectric facilities in torrential rain and flooding scenarios. Scenarios are managed through mitigation actions and facility interventions.

Main policies
N.1106 Global Power Generation Maintenance N.1107 Global Power Generation O&M Operation N.1025 Dams and Hydraulic Infrastructure Safety N.1020 Global Power Generation Critical Event Management

A number of good practices have also been adopted for the proper management of adverse weather events:

- Weather forecasts to monitor the availability of renewable resources and the occurrence of extreme events, with alert systems that guarantee the protection of people and facilities.
- Hydrological simulations, surveying (even with drones) and monitoring of possible vulnerabilities through "Geographic Information System" (GIS) digital systems.
- Advanced monitoring of more than 100,000 parameters (with more than 160 million historical measures) taken in dams and hydraulic civil works.
- Remote real-time monitoring of electrical production facilities.
- Adoption of specific guidelines for the execution of hydrological and hydraulic studies in the initial stages of development, to assess risks in both the installation area and the surrounding area.
- Monitoring of the changes in climatic parameters due to their possible effect on project design, for example, the assessment of the rain system to design draining systems for photovoltaic facilities.
- Estimation of extreme wind speeds using updated databases containing a record of historical series of gales, in order to choose the technology of wind turbines most suitable for sites.

In addition, to act immediately against extreme events, ENDESA adopts specific procedures for emergency management with real-time communication protocols, the planning and management of all activities to resume activity under safety conditions in the shortest possible time, and predefined lists for damage assessment.

- **Distribution.**

To manage extreme climate events, ENDESA has adopted a “4R” approach, which defines the measures to be taken, both in preparation for an emergency and in the subsequent commissioning phase after having suffered damage to the facilities due to an extreme event. This management is organised through the policy 486 (4R “Innovative Resilience Strategy for Power Distribution Networks”) and is defined through four phases of action:

1) “Risk Prevention”: it includes actions that reduce the likelihood of losing network elements as a result of an event, and/or of minimising its impact, and actions aimed at increasing the robustness of infrastructure, as well as maintenance actions.

2) “Readiness”: it includes all actions aimed at improving the immediacy with which a potentially critical event is identified, and ensuring coordination with Civil Protection and the local administration, as well as organising resources once the service failure has occurred.

3) “Response”: includes the phase of assessing the operational capacity to deal with an emergency once the extreme event occurs, considering both the ability to mobilise operational resources on the ground, and the possibility of performing remote-controlled feedback manoeuvres over back-up connections.

4) “Recovery”: it is the last phase, which aims to return to the network service, as soon as possible, under normal operating conditions, in those cases in which the extreme event has caused service interruptions despite all measures taken preventively.

The distribution business has adopted various specific procedure and policies to integrate the different aspects and risks related to climate change:

- Policy 1073 ("Guidelines for Readiness Response and Recovery actions emergencies"): includes guidelines for the final three phases of the "4R" management approach.

- Policy 387 ("Guideline for Network Resilience Enhancement Plan"): aims to determine the actions to be carried out to minimise the impact on the network of extreme events, based on the operating history.

- Policy 439 (“Measures for Risk Prevention and Preparation in the case of Wildfires affecting the Electrical Installations”): integrated approach to emergency management applied to fires in wooded areas, whether originated by the network or external causes.

- Support actions: implementation of weather forecasting systems, network health monitoring, preparation of operational plans and simulations. It is necessary to highlight the agreements reached to mobilise extraordinary resources (internal and contractor) to deal with emergencies.

Priority extreme events	**Fire**	**Heat waves**	**Ice sleeve**	**Gales**	**Rain/Floods**
Policy	Policy 486	Policy 486	Policy 486	Policy 486	Policy 486
	Policy 1073	Policy 1073	Policy 1073	Policy 1073	Policy 1073
	Policy 439	Policy 387	Policy 387	Policy 387	Policy 387

In addition to the protocols envisaged for short-term situations, in collaboration with research bodies, the impact on the grid in the short/long term of extreme events identified as significant (heat waves, fires and explosive cyclogenesis, torrential rain and floods, among others) is being analysed:

- Heat waves: an analysis was performed of its impact, caused by the presence of more days with high temperatures and with no rainfall, which makes it difficult to evacuate heat from underground lines, and could cause an abnormal increase in the risk of network breakdowns, especially in urban and tourist areas. In the distribution grid in Spain, there is a low presence of underground lines and, in an initial analysis of the operation history of the distribution grid, no significant correlation was observed between the heat waves experienced and grid failures.

- Fire: in relation to the fire risk, and despite the fact that the events suffered to date have not been very significant, a detailed analysis is being performed in the scenarios to 2050, together with a mapping of the most important risks in line with policy 439. A study has been conducted to identify the areas with the greatest forest fire risk, identifying the networks and environmental area in which they are located, so that the necessary interventions can be carried out in line with a fire risk prevention approach.

- Explosive cyclogenesis: given the importance and frequency of this type of extreme events, a detailed analysis is being conducted in this regard with external experts in the area.

- **Generation of knowledge in adaptation.**

The National Climate Change Adaptation Plan (NACCP) 2021-2030, which is the basic planning tool to promote coordinated action against the effects of climate change in Spain. Its main objective is to avoid or reduce the present and future damage arising from climate change and to build a more resilient economy and society, incorporating new international commitments and contemplating the latest knowledge on climate change risks, drawing on the experience gained in the development of the 2013-2020 National Climate Change Adaptation Plan (NACCP).

With the same criteria and on a supplementary basis to the analysis of the physical risks associated with climate change and the management of such risks, ENDESA has been working for over a decade to make progress by renewing knowledge and reducing vulnerability to climate change to a maximum at all its facilities, share and exchange impressions of the results obtained, and encourage ongoing learning and climatic resilience enabling the management of its businesses to be optimised.

Below is a summary of ENDESA's most significant activities in the area to date:

- Project to analyse the vulnerability of ENDESA's facilities with respect to climate change. Selected by the Spanish Climate Change Office (OECC) of the Ministry of Ecological Transition and Demographic Challenge as an energy sector model for the Adapta Initiative.

- HIDSOS IV Project: Sustainability of water resources in line with global change.

- ENDESA Reservoir Project and climate change.

- Adaptation to climate change in ENDESA's distribution business.

- Participation in national / international projects / initiatives: RESCUE, ANYWHERE and COPERNICUS.

- Monitoring and participation in the United Nations international climate change summits (COPs).

- Technical committee for adaptation to climate change and working group to manage climate risks and their financial impacts CONAMA (National Environment Congress).

Transition risks and opportunities.

In relation to the risks and opportunities tied to transition variations, analysing the different reference scenarios combined with the items that form the risk identification process (for example, the competitive context, the long-term vision of the industry, the materiality analysis, the technological performance, etc.), promoters of potential risks and opportunities can be identified, granting priority to the most significant phenomena. The main risks and opportunities are outlined below.

Policies and regulation.

- Carbon dioxide (CO_2) emissions and price: introduction of regulations to demand stricter emission limits, both on a regulatory basis and through a market mechanism.

    - Opportunities: regulatory mechanisms both as a control and order type and as market mechanisms that strengthen the carbon dioxide (CO_2) price signs.

    - Risks: lack of a coordinated approach between the different players and regulators, resulting in the scant efficiency of the instruments in force, with consequences regarding the electrification and decarbonisation tendency of the different sectors, with respect to ENDESA's strategy, which is strongly tied to the energy transition.

- Energy transition incentives: incentives and opportunities for development based on the energy transition, with an energy system linked to the use of low-emission energy sources as the main basis of the country's energy mix, increased electrification of demand, energy efficiency, flexibility of the electricity system and the boosting of infrastructures, with positive impacts in terms of return on investment and new business opportunities.

    - Opportunities: additional margins and volumes as a result of additional investments in the electricity sector, in accordance with the electrification, decarbonisation and boosting strategy / electrification of enabling infrastructures. The National Integrated Energy and Climate Plan (PNIEC) 2021-2030 sets an ambitious target for renewable penetration, and thus expects 74% of total electricity generation to be renewable in 2030, consistent with a track record towards a 100% renewable electricity sector by 2050, and complemented by increasing additional storage power. Also, in the energy efficiency area, which is one of the pillars of the National Integrated Energy and Climate Plan (PNIEC), an improvement target of 39.5% is established for 2030.

    - Risks: obstacles to attain the energy transition objectives due to a regulatory framework that is not effective to facilitate this transition, slowness in the processes to obtain administrative authorisations, difficulty in developing projects due to situations, such as the lack of access to the grid, etc.

- Regulations on resilience to improve standards, or the introduction of ad-hoc mechanisms to regulate investment in resilience, in a context of evolving climate changes.

    - Opportunities: benefits associated with the allocation of investments aimed at reducing the risks of quality and service continuity for clients.

    - Risks: reputational impact due to damage and service restoration times in the face of extreme events. Possible penalties due to a failure to respond adequately in terms of service restoration following an extreme event.

- Financial policies to encourage the energy transition: incentives for energy transition through adequate polices and financial instruments, sufficient to support a long-term, credible and stable investment framework and a policy-making positioning. Introduction of rules and/or public and private financial instruments (such as, funds, mechanisms, taxonomy, benchmark), focused on the integration of sustainability in financial markets and in public financing instruments.

- Opportunities: creation of new markets and sustainable loan products, in line with the investment framework, activating the possibility of increased public resources for decarbonisation, access to financial resources in accordance with the energy transition objectives and subsequent impact on the cost of financing, availability of grants for the transition.

- Risks: insufficient instruments and updates to provide incentives in accordance with an energy transition positioning, uncertainty or slowdown in the introduction of new instruments and regulate due to the effect of the worsening of the public lending conditions.

Market.

- Market dynamics, such as those related to the variability of raw material prices, increased electricity consumption due to energy transition and the penetration of renewable energies, have an impact on commercial parameters, with an effect on margins and on production and sales volumes.

  - Opportunities: positive effects of increased electricity demand and increased space for renewable energies and for all flexibility mechanisms.

  - Risks: exposure of merchant technologies to market price volatility.

Technology.

- Progressive penetration of new technologies to boost the energy transition, such as the electric vehicle, storage, demand response and green hydrogen; digital lever to transform operating models and "platform" business models.

  - Opportunities: investments in the development of technological solutions, and the positive effect of the increased electricity demand and of the increased space for renewable energies thanks to the production of green hydrogen.

    Electricity grids play a leading role in the National Integrated Energy and Climate Plan (PNIEC), as a facilitator to enable the integration of new renewable capacity into the System, while facilitating flexibility and demand management. To develop it, the National Integrated Energy and Climate Plan (PNIEC) allocates 24% of the estimated investments, reaching a total of Euro 58,579 million.

  - Risks: the slowdown and interruption of raw materials supply, such as metals for batteries (i.e., lithium, nickel, cobalt) and semi-conductors, may cause delays in the procurement and/or increase in costs, which may slow down the penetration of renewable energies, storage and electric vehicles.

Products and services.

- Electrification of residential consumption and industrial processes: the progressive electrification of end uses increases the penetration of products capable of guaranteeing lower costs and a lower impact in terms of local emissions in the residential and industrial sectors (for example, heat pumps).

  - Opportunities: increased electricity demand in a context of decreased energy demand, thanks to the greater efficiency of renewable fuel.

  - Risks: increased competition in this market segment.

- Electric mobility: use of more efficient modes of transport from the point of view of climate change, with particular reference to the development of electric mobility and charging infrastructures and the electrification of industrial consumption.

- Opportunities: positive effects of increased demand for electricity and higher margins related to electricity transmission penetration and the associated services.

- Risks: entry of new players into the market.

Generally, in the area of products and services, of note was the opportunity provided by the National Integrated Energy and Climate Plan (PNIEC), which materialises in three ways, and one of them is through the electrification of the economy, which will help to meet, among others, the 2030 target of attaining 42% renewable energy with respect to total end energy consumption, as well as achieving, in that same year, a reduction in non-ETS Greenhouse Gas (GHG) emissions of 39% compared to 2005. More specifically and alongside the development of renewable energies, the electrification of demand should include a significant deployment of electricity mobility and the use of electricity in residential heating. The National Integrated Energy and Climate Plan (PNIEC) expects the presence of renewables in the mobility-transport sector to be a tractor axis to boost the industry's decarbonisation, reaching five million electric vehicles by 2030. In addition, the National Integrated Energy and Climate Plan (PNIEC) incorporates ambitious plans to renew residential equipment.

ENDESA has already implemented strategic actions to mitigate potential risks and to take advantage of the opportunities associated with the energy variables. Thanks to an industrial and financial strategy that includes environmental, social and corporate governance (ESG) factors, with an integrated approach based on sustainability and innovation, it is possible to create shared value at long term. The strategy aimed at total decarbonisation and energy transition provides ENDESA with resilience with respect to the risks arising from the implementation of the most ambitious policies in the area of emission reductions, and maximises the opportunities to develop renewable generation, infrastructures and enabling technologies. Unlike the chronic climate impacts, it is possible to affirm that impacts arise as a result of the transition scenario already in the short term and in the medium-long term (at 2030).

In a similar manner to the analysis performed for the climate variables, it is possible to perform a stress test for the Strategic Plan (2022-24), considering the factors potentially influenced by the transition scenario, with special reference to the price of carbon dioxide (CO_2) (Emission Trading System of the European Union). Of note among the main transition variables was the price of carbon dioxide (CO_2) as a reliable booster of the regulatory measures that may accelerate the transition process. To assess the impact of a possible modification of this driver, the effects are represented of a potential increase in the price of carbon dioxide (CO_2) of +/- 10% in Spain. This change in price would change the break-even point of the wholesale market, with effects on the margins of the generation activity, both of conventional and renewable energy plants.

To quantify the risks and opportunities arising from the long-term energy transition, the transition scenarios described in section 5.3 were taken into account. Climate change period of this management report. Below, the effects of the “Slow Transition” and “Best Place” scenarios have been identified with respect to the variables that may have a greater impact on the business, in particular, electricity demand, influenced by the dynamics of the electrification of demand and, hence, by the penetration of electrical technologies and the generation energy mix. These considerations offer ideas to determine what may be ENDESA's strategic positioning in terms of the allocation of resources.

The reference scenario chosen foresees a growing ambition in terms of decarbonisation and energy efficiency, backed by an increased electrification of demand and the development of renewable energy. The dynamics related with the energy transition may provide growth opportunities for ENDESA. In particular, on the retail electricity market, the progressive electrification of demand, in particular, in the transport and residential sector, will represent a significant increase in electricity consumption to the detriment of the consumption of different more emitting renewable fuels. Likewise, the gradual increase in the quota of renewable energy in the energy mix should lead to a reduction in electricity prices, both at medium and long term.

In reference to the economic impact of the change in transition scenarios, an analysis was conducted of the impact in terms of gross operating income (EBITDA), which the “Slow Transition” and “Best Place” scenarios would have on 2030 earnings in comparison with the “Paris" reference scenario.

In the “Paris” scenario, a downward tendency is observed in emissions, in line with the European package “Fit for 55”, thanks to an increased electrification of demand, backed by an increasing contribution of renewables in the generation mix.

Given the level of ambition defined in the National Integrated Energy and Climate Plan (PNIEC), in the "Paris" scenario, no additional substantial increases were envisaged in the penetration of renewable energy. On the other hand, the "Slow Transition" scenario envisages a lower level of ambition in the fight against climate change, which is expressed by a lower development of renewable energy and a lower penetration of electrification at all levels.

The "Best Place" scenario considers a faster reduction in the costs of green hydrogen production technologies. This leads to a greater penetration of this renewable fuel, to the detriment of blue and grey hydrogen (hydrogen produced from gas, respectively, with or without the use of CCS technologies), with the concomitant additive effect on Spanish electricity demand and on renewable facilities with respect to the "Paris" scenario. The impact of electricity prices on the wholesale market is limited, considering that the market system based on current marginal prices remains unchanged in the medium term. Any alternative market structure may induce different effects.

In reference to the electrification of demand, the "Slow Transition" scenario foresees lower rates of penetration of more efficient electricity technologies, in particular, electric vehicles and heat pumps, provoking a decrease in electricity demand in comparison with the Paris scenario, which considers that it will have limited impacts on the retail electricity market and associated products. At the same time, lower electricity demand determines a reduced space to develop renewable capacity, with an impact on the generation business.

All scenarios, but to a greater extent, the "Paris" and "Best Place" scenarios will involve a considerable increase in the complexity of electricity grid management. In fact, a significant increase is expected in distributed generation and other resources, and storage systems, an increased penetration of electricity mobility with its associated loading infrastructures, and a growing rate of electrification of demand and the appearance of new players with new consumption modes. This context will involve a decentralisation of consumer points/injection, an increased electricity demand and the average power required, a significant variability of energy flows, demanding a dynamic and flexible management of the grid. ENDESA expects that in this scenario additional investments are needed to ensure the connections and adequate levels of quality and resilience, encouraging the adoption of innovative operating models. These investments must be accompanied by an adequate regulatory context to guarantee adequate economic returns for the distribution business line.

Time horizon: Short (2022-2024); Medium (until 2030); Long (2030-2050)

Upside

Downside

Risk and opportunity category	Time horizon	Description of the analysis	Business lines affected	Description of the impact	Quantification – Type of impact		Quantification – range		
							<100 €mn	100-300 €mn	>300 €mn
Policies and regulation	short/medium		Generation	Risk: impact on the margin as a result of a CO2 price intervention. Considering the potential effects of regulatory measures to encourage the energy transition, exposure to CO2 price variations of +/- 10% is evaluated through a sensitivity analysis.	EBITDA/yr	10%- Upside current political scenario			
						-10%- Downside current political scenario			
Market	average	Considering two alternative transition scenarios, the effects of a higher penetration of renewables on the reference energy price and on additional capacity in 2030 have been assessed.	Generation	Opportunity: greater scope for investment in new renewable capacity. Risk: lower energy prices due to increased penetration of renewables.	EBITDA 2030 Best Place vs Paris				
				Risks: less room for investment in new renewable capacity. Opportunity: higher energy prices due to less renewables.	EBITDA 2030 Slow Transition vs Paris				
Market Products and Services	average	Considering alternative transition scenarios, the effect of efficiency developments, electrification of demand, and electric vehicle penetration has been assessed to evaluate the potential impacts on raw material consumption, including the effect on the gas customer portfolio due to increased electrification, and on the demand for additional services.	Trade receivables	Opportunity: higher margins due to the effect of the transition in terms of the electrification of demand, mainly in relation to the expected increase in green hydrogen.	EBITDA 2030 Best Place vs Paris				
				Risk: lower margins due to the effect of a slow transition in terms of electrification of demand, mainly in residential and transport, and low penetration of new technologies.	EBITDA 2030 Slow Transition vs Paris				

a.3. ENDESA makes decisions that affect the future of the company and its sustainability. These decisions are subject to significant risks, uncertainties, changes in circumstances and other factors that may be beyond ENDESA's control or that may be difficult to predict.

Every year, ENDESA presents its Strategic Plan, which includes the Company's strategic directives and its economic, financial and equity growth objectives , and its contribution to the Company.

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, increased production and installed capacity on markets in which ENDESA operates and increased demand in these markets;

- The assignment of production across different technologies, with increased costs associated with higher activity yet not exceeding certain limits, with electricity prices no less than certain levels, with the cost of combined cycle plants, with availability and the cost of raw materials and carbon dioxide (CO_2) emission rights necessary to operate the business at the desired levels; and the general performance of social, environmental and ethical trends of the area in which it operates, including the factors relating to the loss of biodiversity, terrorism, hydraulic stress, cybersecurity, inequality and social instability, structural unemployment, infectious diseases, external political conflicts, extreme climatic phenomena and environmental catastrophes and climate change.

ENDESA cannot guarantee that its perspectives will be complied with in the terms notified, since they are based, among others, on the following matters:

- In the suppositions related with future events that management expects will occur and on actions that management itself expects to perform at the date of drafting; and

- In general suppositions relating to future events and actions of management itself, which do not necessarily have to be complied with and which depend substantially on variables beyond the control of management.

ENDESA's 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 enabling the viability of the plants do not exist, ENDESA may have to cease production at the facilities and, where appropriate, 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 line with accounting regulations, ENDESA assesses, throughout the year and, in any case, at each reporting date, 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 Eurozone 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 Eurozone 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.

In addition, the financial conditions in the international markets represent a challenge for ENDESA's economic situation due to the potential impact on its business of, on the one hand, the government debt level, declining growth rates and possible downgrading of government bond ratings at the international level – and, in particular, in Eurozone countries – and, on the other hand, the new monetary expansion measures expected in the credit market. Changes in any of these factors could condition ENDESA's access to capital markets and the conditions under 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 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.

No guarantee can be given that the international or Eurozone economic situation will not deteriorate, or that an event of a political nature will not have a significant impact on the markets, thus affecting the business, the economic situation, the result of operations and cash flows of ENDESA.

a.5. ENDESA is exposed to competition in its business activities.

ENDESA maintains relationships with a high number of customers, 10.3 million electricity customers and 1.7 million gas customers at 31 December 2021.

The Company's business activities are carried out in a highly competitive environment. Even if ENDESA were to lose individual customers, it would not have a significant impact on its business as a whole, and the inability to maintain stable relationships with customers could adversely affect ENDESA's business activities, 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 contribution margin of ENDESA's deregulated businesses in 2021 was Euro 3,131 million, most of which correspond to deregulated activities, subject to the effects of competition and volatility on the markets. These activities require gas, electricity and raw material purchases, hence:

- In 2021, 529,933 tonnes of coal and 2,144 million m^3 of natural gas were consumed to generate electricity.
- At 31 December 2021, the amount of the electricity and raw material purchase commitments amounted to Euro 19,766 million, of which a portion corresponds to agreements that have "take or pay" clauses.

ENDESA is exposed to market price risks in relation to fuel purchases (including gas and coal) and carbon dioxide (CO_2) emission rights prices, used to generate electricity, to procure gas and for supply activities. In this connection, the fluctuations in the price of these products 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 with respect to the assumptions when the aforementioned supply contracts are signed could give rise to an obligation to purchase electricity or natural gas at prices that are higher than those included in these contracts. In the event there is a market price adjustment with respect to the estimates made, a deviation in ENDESA's obligations with regard to its fuel needs, or a regulatory change which affects prices as a whole and how they have been established, and if its risk management strategies are 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 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 the fluctuations in the foreign exchange rate could adversely affect ENDESA's business activities, results, financial position and cash flows.

Information relating to foreign currency risk and the foreign currency sensitivity analysis is provided in Note 13.2 to the financial statements for the year ended 31 December 2021.

b.3. ENDESA’s activities could be affected by changes in natural resources and climate and weather conditions.

ENDESA's electricity production depends on the levels of natural resources, plant availability and market conditions. The output of renewable plants depends on levels of rainfall and on the levels of sun radiation and wind, which exist in the geographic areas in which the Company's hydroelectric, wind power and photovoltaic generation facilities are located. In the event of a low level of hydric, wind or solar resources or other circumstances that adversely affect renewable energy generation, ENDESA's business, results, financial position and cash flows could be adversely affected.

The demand not covered by renewable energy is caused by thermal plants, whose production, together with their margin, depends on competitivity among the different technologies. A year with low rainfall, scant sunshine or less wind leads to a decline in hydroelectric, solar or wind power production, in turn, increasing the output of thermal power plants (with a greater cost) and, therefore, the price of electricity and the costs of buying energy. In a wet year, with more sunshine or wind, the opposite effects occur. For example, in the event conditions are unfavourable, due to scant resources, electricity generation will, to a large extent, come from thermal plants and ENDESA's operating expenses arising from these activities will increase. ENDESA's inability to manage changes in natural resource conditions could adversely affect its business activities, results, financial position and cash flows.

In an average year, it was estimated that hydroelectric production could vary by ± 28%, wind power by ± 5% and photovoltaic power by ± 1%. Hence, in 2021, electricity generation at ENDESA's hydroelectric plants was 6,122 GWh when, for an equivalent power, production in 2020 was 7,681 GWh.

Climate-related conditions and, in particular, seasons, have a significant impact on electricity demand. Electricity consumption levels reach their peak in summer and winter. Seasonal changes in demand are attributed to the impact of several climate factors, such as climate and the amount of natural light, the use of light, heating and air conditioning. Changes in demand due to weather conditions can have a major effect on the business's profitability. Additionally, ENDESA must make certain projections and estimates regarding climate conditions when negotiating its contracts, and a significant divergence in the precipitation levels and other weather conditions envisaged could adversely affect ENDESA's business activities, results, financial position and cash flows.

Likewise, adverse weather conditions could impact the regular supply of energy due to damages 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 activities, 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 floating interest rates. The interest rate fluctuations could adversely affect ENDESA's business activities, results, financial position and cash flows.

Gross financial debt totalled Euro 11,113 million at 31 December 2021. 36% of gross financial debt before cash flow and fair value hedging accrued fixed rate interest, while the remaining 64% is tied to floating rate interest. Gross financial debt at a floating interest rate is mainly linked to the Euribor.

At 31 December 2021, taking into account cash flow hedges that are considered to be effective, 45% of gross financial debt was protected against interest rate risk. Also taking fair value hedges into consideration, at 31 December 2021, this percentage is 40%.

Information relating to interest rate risk and the interest rate sensitivity analysis is provided in Note 13.1 to the financial statements for the year ended 31 December 2021.

b.5. ENDESA's business depends on its ability to obtain the funds necessary to refinance its debt and finance its capital expenses.

ENDESA is confident that it will be able to generate funds internally (self-financing), access bank financing through long-term credit facilities, 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 on-going maintenance of its current facilities. Furthermore, ENDESA occasionally needs to refinance its existing debt. This debt includes long-term credit facilities undertaken both with banks and with Group companies, ENEL and financial investments.

If ENDESA is unable to access capital under reasonable conditions, refinance its debt, settle its capital expenses and implement its strategy, the Company could be adversely affected. The capital and turmoil in the capital market, a possible reduction in ENDESA's creditworthiness or possible restrictions on financing conditions imposed on the credit facilities in the event financial ratios deteriorate, could increase the Company's financial expenses 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 under circumstances which prevent ENDESA from obtaining the best price for said assets. Therefore, if ENDESA is unable to access financing under acceptable conditions, ENDESA's business activities, results, financial position and cash flows could be adversely affected.

At 31 December 2021, the Company had negative working capital of Euro 3,191 million. The undrawn amount on ENDESA's long-term credit facilities provide assurance that the ENDESA can obtain sufficient financial resources to continue to operate and to realise its assets and settle its liabilities for the amounts shown in the statement of financial position.

Information regarding liquidity risk is included in Note 13.3. to the financial statements for the year ended 31 December 2021 and the information relating to the main transactions performed by ENDESA is set forth in section 2. Main financial transactions of this management report.

On the other hand, the conditions in which ENDESA accesses capital markets or other means of financing, whether within the Company or on the credit market, are highly dependent upon its credit rating which, in turn, is conditioned by that of its Parent ENEL. ENDESA's capacity to access the markets and financing could therefore be adversely affected, in part, by the credit and financial position of ENEL, to the extent that it could determine the availability of intercompany 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 activities, results, financial position and cash flows.

b.6. ENDESA is exposed to credit and counterparty 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, as well as 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 activities, 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 2021.

c) Risks associated with digital technologies.

c.1. ENDESA faces cybersecurity risks.

ENDESA's digital transformation involves greater exposure to potential cyber-attacks, which may endanger the security of IT systems and databases with sensitive information.

The potential impact on ENDESA would cause economic losses and reputational impacts (loss of trust by the Company) arising in the event ENDESA's information systems are affected by a cyber-attack. The Company's critical infrastructures may also be exposed to this type of attack, which could have a serious impact on the essential services provided (for example, nuclear plants). Increase in the danger of the fraudulent implantation of commercial activity and it is necessary to adopt security measures and protect customer data.

With respect to the risk management and mitigation measures, ENDESA has a cybersecurity strategy, in keeping with international standards and government initiatives. As part of this strategy, ENDESA performs an assessment of the main risks and identifies vulnerabilities, and also conducts an exhaustive digital monitoring through which the information is analysed and remedial measures are implemented to mitigate risks. It also conducts training and awareness-raising programmes in the use of digital technologies for its employees, at both the professional and individual level, to change the conduct of people and reduce risks.

In its assets, ENDESA executes cybersecurity exercises that involve plant or industrial facilities.

c.2. ENDESA manages its activities with information technology that guarantees operating efficiency, as well as the continuity of the businesses, systems and processes that contribute to attaining its corporate objectives.

The use of information technology at ENDESA is essential to manage its activity. ENDESA's systems represent a strategic distinguishing element with respect to sector companies, given the business aggregates used with regard to technical complexity, volume, granularity, functionality and case-based diversity. Specifically, ENDESA's main computer systems handle the following business processes:

- 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.

d) Operational risks.

d.1. ENDESA is exposed to risks associated with the construction of new electricity generation and distribution facilities.

The construction of generation facilities and energy distribution is time-consuming and can be highly complex. This means that investment needs to be planned well in advance of the estimated start-up date of the facility and, therefore, it could be necessary to adapt such decisions to changes in the market conditions. This may entail significant additional costs not originally planned that may affect the return on these types of projects.

Generally, in connection with the development of such facilities, ENDESA 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 Directors of ENDESA, S.A. on 25 November 2021 and presented to the market contemplates an investment target, net of grants and assets assigned by customers, of Euro 7,500 million between 2022 and 2024, broken down as follows:

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 catastrophes, accidents and other unforeseen events that could delay the completion of power plants or substations;
- Non-compliance by suppliers with contracts conditions agreed; and
- Inability to obtain financing under conditions 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 may not be recoverable.

If ENDESA faces problems related to the development and construction of new facilities and, therefore, of its business, results, financial position and cash flows may be adversely affected.

d.2. ENDESA's activity may be affected by failures, breakdowns, problems in carrying out the planned works or other problems that cause unscheduled non-availability and other operational risks.

To carry on its activities, ENDESA has a huge volume of assets related with its activities which comprise, among others:

- Electricity generation: At 31 December 2021, ENDESA's potential total net installed capacity in Spain amounted to 21,140 MW, of which 16,800 MW are found in the Mainland Electricity System and 4,340 MW in Non-mainland Territories (TNP) in the Balearic Islands, Canary Islands, Ceuta and Melilla.
- Energy distribution: At 31 December 2021, ENDESA distributed electricity in 24 Spanish provinces in 8 Autonomous Communities and in the Autonomous City of Ceuta, with a total extension of 195,794 km^2 and a population of around 21 million inhabitants. The total energy distributed by ENDESA's grid totalled 131,090 GWh in 2021.
- Energy supply: At 31 December 2021, ENDESA had over 12 million electricity and gas customers.

ENDESA is exposed to risks of breakdown and accidents that can temporarily interrupt the operation of its plants and services to its customers. Prevention and protection strategies exist to mitigate these risks, including predictive and preventive maintenance techniques in line with the best international practices.

ENDESA cannot ensure that during the performance of its business activities, direct or indirect losses would not arise from inadequate internal processes, technological failures, human error or certain external events, such as accidents at facilities, workplace conflicts and natural disasters. These risks and dangers could cause explosions, floods or other circumstances that could cause the total loss of energy generation and distribution facilities; damage to or the deterioration or destruction of ENDESA's facilities or those of third parties, or even environmental damage; delays in electricity generation and the partial or total interruption of activities. The occurrence of any of these circumstances could adversely affect its business activities, results, financial position and cash flows.

d.3. ENDESA's insurance cover and guarantees may not be adequate or may not cover all of the damages.

Despite the fact that ENDESA attempts to obtain adequate insurance cover in relation to the main risks associated with its business – including damage to the Company itself, general third-party liability, environmental and nuclear power plant liability – it is possible that insurance cover may not be available on the market in 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 of guarantees in relation to the aforementioned equipment or the limits to ENDESA's ability to replace the equipment 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 activities, 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 under conditions similar to those currently in place in order to meet possible increases to premiums or to covers which become inaccessible. If ENDESA is unable to transfer a possible premium increase to its customers, these additional costs may adversely affect its business activities, results, financial position and cash flows.

d.4. The success of ENDESA's business depends on the continuity of the services provided by the Company's management and by ENDESA's key workers.

To carry on its activities, at 31 December 2021, ENDESA, S.A. had a workforce of 1,248 employees (see Note 19.1 to the financial statements for the year ended 31 December 2021). So that ENDESA can continue to maintain its position in the sector, it needs to guarantee talent management, especially with regard to digital competences.

The qualified labour market is highly competitive and ENDESA must be able to successfully hire additional qualified staff or to replace outgoing staff with sufficiently qualified and effective employees. ENDESA's inability to retain or recruit essential staff could adversely affect its business activities, results, financial position and cash flows.

d.5 ENDESA considers Occupational Health and Safety (OHS) and maintaining a fluid social dialogue to be priority objectives. The inability not to meet these objectives could adversely affect ENDESA's business, image, results, financial position and cash flows.

ENDESA considers Occupational Health and Safety (OHS) a priority objective and a key value to be preserved at all times for everyone who works for the Company, without distinction between its in-house staff and that of its partnership companies. The inclusion of this target in ENDESA's strategy is as follows:

- Implementation of OHS policies at all Group companies.
- The implementation of specific work plans.
- The application of a sole, global occupational conduct observation system.

ENDESA also carries out various annual initiatives in its long-term strategy to continuously improve occupational health and safety (OHS).

ENDESA's occupational health and safety information is set forth in section 7 of this management report and is detailed in the 2021 Non-Financial Statement and Sustainability.

ENDESA guarantees the right to freedom of association for its employees and for all its contractors and suppliers.

The information relating to Social Dialogue is detailed in the 2021 Non-Financial Statement and Sustainability.

As regards ENDESA in Spain, it must be highlighted that on 23 January 2020, the "V ENDESA Framework Collective Agreement" was signed, which means that, from that date, a collective employment agreement exists, which adapts the employment regulations to the new requirements of the area (see Note 11 to the financial statements for the year ended 31 December 2021).

The inability not to meet these objectives could adversely affect ENDESA's business, image, results, financial position and cash flows.

d.6. ENDESA's business could be adversely affected by a possible inability to maintain its relations with suppliers or because the available supplier offering is insufficient in terms of quantity and/or quality, as well as supplier failures to maintain the conditions of the service provided, limiting the possibilities of operability and business continuity.

The relationships ENDESA currently maintains with the main industry service suppliers and 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 service supplier or provider within an appropriate time frame or with similar conditions.

ENDESA makes significant purchases of fuels, materials and services. In this area, it must be mentioned that:

- Some thermal plants have a consumption highly concentrated in few suppliers and countries, which represents a risk in the event of an interrupted supply;

- Fuel supply contracts, especially gas contracts, are found in areas with a significant geopolitical risk that may materialise in supply interruptions; and

- In the case of Non-Mainland Territories (TNP) plants, (Balearic and Canary Islands and the cities of Ceuta and Melilla), they are all geographically isolated and have a significant dependence on liquid fuels.

If ENDESA is unable to negotiate contracts with its suppliers under 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 activities, results, financial position and cash flows could be affected adversely.

e) Compliance risks.

e.1. ENDESA uses the highest security and contingency standards according to the state of the art, such that it guarantees personal data protection.

In the construction and operation of ENDESA's information systems, the Company includes the highest security and contingency standards so that it guarantees operating efficiencies, as well as the continuity of businesses and processes that contribute to attaining its corporate objectives.

These standards acquire a particularly significant role faced with the digital transformation process in which ENDSA is immersed, which involves a growing exposure to potential cyberattacks, which are increasingly numerous and complex, and which may compromise the security of its systems, its data, including personal data, the continuity of its operations and, consequently, the quality of its customer relations and its results, financial position and cash flows.

Security has therefore become a global strategic matter. In this regard, at ENDESA, policies, processes, methodologies, tools and protocols exist that are based on international standards and duly audited governmental initiatives. In particular, ENDESA has a cybersecurity procedural and management model promoted by senior management, which involves all business areas and the area responsible for the management of IT 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, to adopt security actions to minimise and mitigate such risks.

e.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, as well as 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 regulation 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 damages, for harm to employees or third parties, or for other types of damages 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 this regulation may give rise to liabilities, as well as fines, damages, sanctions and expenses, including, where applicable, 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 Euro 150 million, claims arising from contamination.
- A general third-party liability insurance policy that covers claims relating to damage to third parties or their property up to a maximum of Euro 250 million, taking this coverage to Euro 900 million for hydroelectric plants.

- Under current legislation in Spain and pursuant to Electricity Sector Law 24/2013 of 26 December, the Company is insured for up to Euro 700 million against third-party liability claims for possible nuclear accidents at its plants. Any loss or damage in excess of this amount would be governed by the international conventions to which Spain is a signatory. The nuclear power plants are also insured against damage to their installations (including stocks of nuclear fuel) and machinery breakdowns, with maximum coverage of US dollars 1,500 million (approximately, Euro 1,324 million) for each plant.

On 28 May 2011, the Spanish government published Law 12/2011, of 27 May, on third-party liability due to nuclear damage or damage caused by radioactive materials, which raises operator liability to Euro 1,200 million, while also allowing operators to cover this liability in several ways. This Regulation will enter into force on 1 January 2022, following the joint ratification by the member States of the Protocols of 12 February 2004, amending the Nuclear Civil Liability Convention (Paris Convention) and the Brussels Convention, complementing the foregoing. The civil nuclear liability coverage arranged by ENDESA will have a limit of Euro 1,200 million demanded from 1 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 that exceed the scope of the insurance policy's coverage, its business activities, financial position, results and cash flows 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 if the aforementioned costs may be transferred to third parties. Thus, the costs associated with compliance with the regulations applicable could adversely affect ENDESA's business activities, results, financial position and cash flows.

e.3. Past or future infringements of competition and antitrust laws could adversely affect ENDESA's business activities, results, financial position and cash flows.

ENDESA is subject to competition and antitrust laws in the markets in which it operates. Infringements, especially in Spain, ENDESA's main market, could give rise to legal actions against ENDESA.

ENDESA has been, is and could be the object of legal investigations and proceedings regarding competition and antitrust matters. Investigations regarding the infringement of competition and antitrust laws usually last several years and may be subject to rules which 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 activities, results, financial position and cash flows.

Information on litigation and arbitration proceedings is set out in Note 11.3 to the financial statements for the year ended 31 December 2021.

ENDESA's growth strategy has traditionally included, and continues to include purchase transactions that are subject to various competition laws. These regulations may affect ENDESA's ability to carry out strategic transactions.

e.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 performs its best estimate to recognise its provisions for legal contingencies, provided that the need to meet this obligation is probable and its amount can be reasonably quantified.

However, ENDESA cannot guarantee that it will be successful in all the proceedings in which it expects a positive outcome, or that an unfavourable decision will not adversely affect ENDESA's business activities, results, financial position and cash flows. Likewise, the Company cannot ensure that it will not be the object of new legal proceedings in the future which, if the outcome were unfavourable, would not 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 2021.

e.5. In general, ENDESA could be affected by tax risks arising either from a possible interpretation of the rule by the tax authorities other than that adopted by the Company or by 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 arising from the uncertainties arising either due to the possibility that the tax authorities may demand additional contributions from ENDESA than those considered due (either as a result of the failure to file returns or of a different interpretation of the applicable regulations) or of the risk of an incorrect perception or valuation by third parties of tax events that are erroneously of unjustly attributed to the Company.

In 2021, ENDESA's total tax contribution amounted to Euro 3,009 million, of which 41% corresponded to taxes borne that represent a cost for ENDESA and 59% relate to taxes collected by ENDESA as a result of its business activities. Spain has been the jurisdiction in which ENDESA has most contributed to the payment of taxes, representing more than 89% of the total taxes paid and collected in 2021.

The information relating to ENDESA's tax contribution is detailed in the 2021 Non-Financial Statement and Sustainability Report.

The following was of note with respect to ENDESA's tax risk situation:

- The periods open for review by the tax authorities and significant inspections for the period and their effects (see Note 15.10 to the financial statements for the year ended 31 December 2021); and.

- Significant tax disputes are likely to generate a contingency (see Note 11.3 to the financial statements for the year ended 31 December 2021).

ENDESA mitigates the occurrence of these risks through:

- Compliance with its Tax Risk Management and Control Policy (see section 6.1. General Risk Control and Management Policy) of this management report, which is the base document of the Tax Compliance Management System implemented by the Company; and

- Its inclusion in the cooperative compliance system, expressed in the Code of Good Tax Practices and in the annual filing before the tax authorities of the Tax Transparency Report. This inclusion means that ENDESA voluntarily undertakes with respect to the tax authorities to foster good practices that significantly reduce tax risks and the prevention of that conduct likely to generate such risks.

Despite this firm commitment, any change in the interpretation of the tax regulations by the tax authorities or the Administrative or Justice Tribunals could affect ENDESA's compliance with its tax obligations and alter its financial position and cash flows.

e.6. ENDESA could be held liable for 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. and ENEL Iberia, S.L.U. The 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, has been fully consolidated between 2010 and 2016 as part of the 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.

Likewise, following the taking of control by ENDESA of Empresa de Alumbrado Eléctrico de Ceuta, S.A., with respect to which, at 31 December 2021, it held a stake of 96.41% of the share capital, the Consolidated Tax Group no. 21/02 was incorporated, comprising the following three companies: Empresa de Alumbrado Eléctrico de Ceuta, S.A. (as Parent and representative of the Consolidated Tax 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 which 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. Likewise, ENEL Green Power España, S.L.U. (EGPE) is also jointly and severally responsible with respect to the other members of the Consolidated Tax Group of which it has formed part and Empresa de Alumbrado Eléctrico de Ceuta, S.A. is also jointly and severally liable with respect to its members.

Even though ENDESA or, where applicable, ENEL Green Power España, S.L.U. (EGPE) or Empresa de Alumbrado Eléctrico de Ceuta, S.A. has the right to recourse against the other members of the corresponding Consolidated Tax Group, any of them could be held jointly and severally liable if any outstanding tax charge were to arise that had not been duly settled by another member of the Consolidated Tax Groups to which ENDESA or, where applicable, ENEL Green Power España, S.L.U. (EGPE) or Empresa de Alumbrado Eléctrico de Ceuta, S.A. belong or have belonged. Any material tax liability could adversely affect ENDESA's business activities, results, financial position and cash flows.

e.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 2021, 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 the interests of ENDESA or those of its shareholders. Furthermore, both the ENEL Group and ENDESA compete in the European electricity market. It not possible to ensure 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 2021.

f) Corporate governance and culture risk.

f.1. ENDESA is exposed to image and reputation impairment risk.

ENDESA is exposed to the opinion and perception projected to different stakeholders. 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 detriment for 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 work 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 have its image or reputation impaired which, since the outcome would be unfavourable, will have an adverse effect on its business, operating results, financial situation or cash flows.

Furthermore, ENDESA cannot guarantee that it will maintain solid relationships and ongoing communication with suppliers, 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 activities, results, financial position and cash flows.

7. Policy on derivative financial instruments.

Information on derivative financial instruments is provided in Note 14 to the financial statements of ENDESA S.A., for the year ended 31 December 2021.

8. Human resources.

At 31 December 2021, the Company had a total of 1,248 employees (1,315 employees at 31 December 2020).

The Company's average workforce in 2021 was 1,258 employees (1,318 in 2020).

The breakdown, by gender, of the Company’s workforce at 31 December 2021 was 48.7% male and 51.3% female.

Information on the workforce is provided in Note 19.1 to the Consolidated Financial Statements of ENDESA S.A. for the year ended 31 December 2021.

Occupational Health and Safety (OHS)

ENDESA S.A. considers the occupational health and safety of its employees to be an essential principle and preserves it by developing a strong culture between its 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 2021 and 2020, the variations in occupational health and safety indicators were as follows:

	Main figures	
	2021	2020
In-house frequency index (1)	0.00	0.00
In-house seriousness index (2)	0.00	0.00
Combined frequency index (3)	1.10	0.53
Combined seriousness index (4)	0.11	0.00
Number of accidents (5)	4	2

(1) In-house frequency index (own employees) = (Number of accidents / Number of hours worked) x 10^6.
(2) In-house seriousness index (own employees) = Number of days lost / Number of hours worked) x 10^3.
(3) Combined frequency index (own and subcontracted employees) = (Number of accidents / Number of hours worked) x 10^6.
(4) Combined seriousness index (own and subcontracted employees) = Number of days lost / Number of hours worked) x 10^3.
(5) Of which none of them were serious or fatal accidents in 2021 and 2020.

9. Treasury shares.

At 31 December 2021, the Company held treasury shares to cover its long-term variable remuneration plan (Strategic Incentive Plan 2020-2022), under which the delivery of shares forms part of the "strategic incentive" payment (see Note 10.4 to the financial statements of ENDESA, S.A. for the year ended 31 December 2021).

10. Environmental protection.

Information on the environmental activities is provided in Note 20 to the financial statements of ENDESA S.A. for the year ended 31 December 2021.

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 the 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 2021.

13. Annual Corporate Governance Report as per Article 538 of Royal Decree Law 1/2010, of 2 July, approving the revised text of the Spanish Corporate Enterprises Act.

The 2021 Annual Corporate Governance Report, as required by Article 538 of Royal Decree-Law 1/2010, of 2 July, approving the consolidated text of the Spanish Corporate Enterprises Act, forms an integral part of this Management Report, and its contents are available on the website of the Spanish Securities Market Commission (CNMV) at the following address:

https://www.cnmv.es/portal/consultas/EE/InformacionGobCorp.aspx?nif=A-28023430

14. Statement of Non-financial Information required by Law 11/2018, of 28 December, which amends the Code of Commerce, the Consolidated Text of the Spanish Corporate Enterprises Act approved by Royal Decree-Law 1/2010, of 2 July, and Law 22/2015, of 20 July, on Audit of the Financial Statements, on non-financial information and diversity.

The Non-Financial Statement required by Law 11/2018, of 28 December, amending the Code of Commerce, the consolidated text of the Spanish Corporate Enterprises Act approved by Royal Decree Law 1/2010, of 2 July, and Law 22/2015, of 20 July, on the Audit of Financial Statements, with regard to non-financial information and diversity, is included in Annex I of the Consolidated Management Report. of ENDESA, S.A. and Subsidiaries for the year ended 31 December 2021, in the 2021 Non-Financial Statement and Sustainability Report.

This 2021 Statement of Non-Financial Information and Sustainability will be filed with the Madrid Mercantile Register, once it is approved by the General Shareholders' Meeting, since it forms part of the Consolidated Financial Statements of ENDESA, S.A. and Subsidiaries.

21 February 2022

Formulation Signatures

ENDESA, S.A.

Management Report

for the year ended 31 December 2021

(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 31 December 2021 was drafted in electronic format by the Board of Directors of the company ENDESA, Sociedad Anónima at its meeting on 21 February 2022, 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*).

Mr. Juan Sánchez-Calero Guilarte **Chairman**	**Mr. Francesco Starace** **Vice Chairman**
Mr. José Damián Bogas Gálvez **Chief Executive Officer**	**Ms. Eugenia Bieto Caubet** **Director**
Mr. Antonio Cammisecra **Director**	**Mr. Ignacio Garralda Ruiz de Velasco** **Director**
Ms. Pilar González de Frutos **Director**	**Ms. Maria Patrizia Grieco** **Director**
Ms. Alicia Koplowitz y Romero de Juseu **Director**	**Mr. Francisco de Lacerda** **Director**
Mr. Alberto de Paoli **Director**	

Madrid, 21 February 2022

Statement of Responsibility

Annual Financial Report

for the year ended 31 December 2021

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

STATEMENT OF RESPONSIBILITY

ANNUAL FINANCIAL REPORT FISCAL YEAR 2021

The members of the Board of Directors of Endesa S.A., in accordance with Article 8 of Royal Decree 1362/2007, of 19 October 2007, state that, to the best of their knowledge, the Individual and Consolidated Annual Financial Statements for the fiscal year ending on 31 December 2021, drafted at its meeting on 21 February 2022, 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 2021 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.

Mr. Juan Sánchez-Calero Guilarte **Chairman**	**Mr. Francesco Starace** **Vice Chairman**
Mr. José Damián Bogas Gálvez **Chief Executive Officer**	**Ms. Eugenia Bieto Caubet** **Director**
Mr. Antonio Cammisecra **Director**	**Mr. Ignacio Garralda Ruiz de Velasco** **Director**
Ms. Pilar González de Frutos **Director**	**Ms. Maria Patrizia Grieco** **Director**
Ms. Alicia Koplowitz y Romero de Juseu **Director**	**Mr. Francisco de Lacerda** **Director**
Mr. Alberto de Paoli **Director**	

Madrid, 21 February 2022