

LOYALTY PLANS

LONG-TERM VARIABLE COMPENSATION AT ENDESA S.A.

With a view to fostering the commitment and retention of Executive Directors and to creating long-term shareholder value, long-term variable compensation schemes linked to achievement of the Company targets related to its strategic plans shall be established.

Long-term variable compensation at Endesa is set out in the so-called Loyalty Plan, the main goal of which is to strengthen the commitment of employees holding high-responsibility positions to achieving the Group's strategic objectives. The Plan is structured through successive three-year programs with a new program starting every year as from 1 January 2010. Since 2014, these programs have provided for deferred payment and require that the Director be active at the time payment is made; these payments are made in two installments: 30%, if applicable, in the year after the program ends, and the remaining 70%, if applicable, two years after termination of the program.

The Board of Directors, at the proposal of the Appointments and Compensation Committee, shall be in charge of establishing targets and determining achievement thereof.

A threshold level beyond which the target is considered met up to 50% and two performance levels for targets that have been overachieved is established for each target: performance beyond the first level equals 150% and performance beyond the second level constitutes maximum achievement of 180%. Therefore, variable compensation levels for each of the Programs will range from 0%-180% of the incentive base (target equals 100% achievement).

Long-term variable compensation targets are tied to creating shareholder value, which is measured in reference to Endesa's share price, EPS (Earning per share of Endesa), TSR (Total Shareholders return of Endesa), ROACE (Return on average capital employed) and other indicators related to the strategic plan established by the Company.

Expost Control of Variable Compensation

As regards long-term variable compensation, a malus clause will be implemented, authorizing the company to withhold payments of any accrued and outstanding variable compensation, as well as a clawback clause requiring directors to return any variable compensation received when, following payment of the incentive it is found that the data used for such calculation or payment was clearly erroneous.

The Appointments and Compensation Committee may submit a proposal to the Board of Directors for nonpayment or request reimbursement of variable components if it is subsequently determined that payments were based on data that was clearly erroneous.

I. Loyalty Plan: 2018–2020 Program

The following shall be included as an Agenda Item at the next ENDESA, S.A. ANNUAL GENERAL SHAREHOLDERS MEETING on 23 APRIL 2018: Approval of the 2018–2020 Program of the Loyalty Plan (including amounts linked to the Company's share value), insofar as ENDESA, S.A.'s Executive Directors are included among its beneficiaries. In this regard, the Meeting passed the following resolution:

Approval of the 2018–2020 Program of the Loyalty Plan (including amounts linked to the Company's share value), insofar as ENDESA, S.A.'s Executive Directors are included among its beneficiaries.

Approve the long-term variable compensation plan referred to as the "Loyalty Plan, 2018–2020 Program" (the "2018–2020 Program"), which includes amounts linked to the Company's share value, insofar as ENDESA, S.A.'s Executive Directors are included among its beneficiaries, with the following key characteristics:

1. The Loyalty Plan sets forth a long-term compensation scheme aimed at strengthening the alignment of high-responsibility executives with the Company's strategic objectives.

2. The Loyalty Plan applies to the Chairman, Chief Executive Officer and all other executives of the Endesa Group holding strategic responsibility, as determined by the Board of Directors.

3. The period for performance will be three years from 1 January 2018, for the 2018–2020 Program.

4. Accrual of variable compensation under the 2018–2020 Program is linked to compliance with three targets during the period for performance:

a) Performance of Total Shareholder Return (TSR) of ENDESA, S.A. in relation to the TSR performance of the selected benchmark, i.e. the Euro-Stoxx Utilities Index. This parameter will be weighted at 50% of the total incentive for the 2018-2020 Program.

b) Target for the cumulative Return on Average Capital Employed during the accrual period. This parameter, which measures performance of capital employed without taking into account the financial structure of the Consolidated Group, is weighted at 40% of the total incentive for the 2018-2020 Program.

c) Reduction of the Endesa Group's CO₂ emissions. This parameter will be weighted at 10% of the total incentive for the 2018–2020 Program.

A threshold level beyond which the target is considered met up to 50% and two performance levels for targets that have been overachieved is established for each target: performance beyond the first level equals 150% and performance beyond the second level constitutes maximum achievement of 180%. Therefore, variable compensation levels under the 2018–2020 Program will range from 0%–180% of the incentive base (target equals 100% achievement).

If ENDESA, S.A.'s TSR is negative during the relevant three-year reference period, the reward earned by the managers will be reduced (following a regressive curve) by an amount equal to ENDESA S.A.'s negative TSR percentage multiplied by a constant value of 1.5.

5. The target assigned to each beneficiary under the 2018–2020 Program will be as provided in their individual contracts, if addressed therein, or otherwise, in the relevant Group policy defining different target percentage levels based on the level of responsibility.

The target for the Chairman is €568,400 and the target for the Chief Executive Officer is €518,000.

6. Payment of variable compensation accrued under the 2018–2020 Program will be made in cash and subject to the payment and deferral rules established by the Board of Directors, as well as to the relevant malus and clawback clauses.

It is resolved to delegate to the Board of Directors, with express power of substitution, the authority to implement at the time and in the manner it deems convenient, formalize, amend and execute the 2018-2020 Program, adopting all resolutions and executing as many public or private documents as may be necessary or convenient to ensure the full effectiveness thereof, with the power to change, rectify, amend and supplement and, in general, to adopt any resolutions and perform any actions necessary or merely convenient for the effective implementation and operation of the 2018-2020 Program, including but not limited to, the following powers:

a) To set specific conditions for the 2018–2020 Program and to grant and exercise rights thereunder, including the approval or amendment of the 2018–2020 Program, the determination of the beneficiaries, the conditions for granting or exercising the rights and verifying achievement, the rights that grant the status of beneficiary, the levels of performance for each of the parameters established as a target, the effects of losing status as an employee, executive or executive director of the Company or its Group or of a change of control, determining the causes for early termination, etc.

b) To draft, sign and submit before any public or private bodies, the beneficiaries or any other party, any documents and supplementary communications which may be necessary or convenient for the purposes of implementing and executing the 2018-2020 Program, granting rights and delivering incentives, including, as the case may be, the relevant prior notice and informational prospectuses.

c) To perform any actions or processes or filing any returns to any person, entity or registry, public or private, in order to obtain authorizations or verifications as required to grant the rights and to pay the incentives.

d) To adapt the contents of the 2018–2020 Program to the corporate circumstances or transactions that may arise during the term thereof, in the terms deemed convenient and, to the extent required or recommended by any legal provisions applicable to any of the beneficiaries, or as may be necessary for legal, regulatory, operating or similar reasons, to adapt the general conditions.

e) To draft and publish any announcements which may be necessary or convenient.

f) To draft, sign, execute and, as the case may be, certify any type of document related to the 2018-2020 Program.

g) And, in general, to perform as many actions and execute as many documents as required or convenient for the full validity and effectiveness of the incorporation, implementation, operation, execution, settlement and completion of the 2018-2020 Program and the previously adopted resolutions.

In addition, the parameters for application of the 2018–2020 Program of the Loyalty Plan were approved by Endesa's Board of Directors on 19 March 2018, under the following terms:

The targets for the 2018-2020 program are tied to the creation of shareholder value, referring to the 2018–2020 three-year period and taking the 2018–2022 BIP as a benchmark, and are weighted as follows:

- **50% "Total Shareholder Return" (TSR):** average TSR of Endesa compared to average TSR of the selected benchmark, Euro Stoxx Utilities Index, for the accrual period. The TSR target achievement will be measured on the basis of the performance scale set forth below (using linear interpolation between the thresholds). No payment shall be made for performance falling under the minimum threshold. The established thresholds are:

Endesa TSR vs Index TSR	Endesa TSR > 115% of Index TSR	Endesa TSR between 110%–115% of Index TSR	Endesa TSR between 100%–110% of Index TSR	Endesa TSR between 90%–100% of Index TSR	Endesa TSR < 90% of Index TSR
Multiplier*	180%	150%	100%	50%	0%

**Linear interpolation between the thresholds*

In order to assess the extent to which targets have been achieved, the average TSR of both Endesa and the index shall be calculated as the average TSR for the one-month period preceding implementation (1/12/2017–31/12/2017) and termination (1/12/2020–31/12/2020) of the accrual period.

If Endesa's TSR is negative during the relevant three-year reference period, the reward accrued will be reduced (following a regressive curve) by an amount equal to Endesa's negative TSR percentage multiplied by a constant value of 1.5.

- **40% "Return On Average Capital Employed" (ROACE)** of Endesa, represented by the ratio between ordinary operating income (ordinary EBIT) and Average Net Invested Capital, on a cumulative basis for the 2018–2020 period according to the performance scale set forth herein below (using linear interpolation between the thresholds):

Cumulative ROACE (2018–2020)	≥ +3.1% of Target	+1.3% of Target	Target	-2.8% of Target	≤ -2.8% of Target
Multiplier*	180%	150%	100%	50%	0%

**Linear interpolation between the thresholds*

- **10% "Reduction in CO₂ Emissions" (CO₂):** reduction of specific CO₂ emissions (gCO₂/kWh) of Endesa in 2020. This indicator measures the specific CO₂ emissions of Endesa in Spain and Portugal in 2020, understood as the ratio between absolute CO₂ emissions from electricity generation by Endesa and total net production of Endesa in the relevant year, according to the performance scale set forth herein below (using linear interpolation between the thresholds):

"Reduction in CO ₂ Emissions (gCO ₂ /kWh)	≤ -5% of Target	-3% of Target	Target	+3% of Target	> +3% of Target
Multiplier*	180%	150%	100%	50%	0%

*Linear interpolation between the thresholds

Endesa's ability to reduce its CO₂ emissions is directly linked to the thermal gap existing in the Spanish mainland's electricity system, as Endesa has a legal obligation to guarantee electricity supply. In this regard, the target has been established for a specific thermal gap in 2020, as specified in the 2018–2020 Strategic Plan. If the effective thermal gap varies, the target for reduction in CO₂ emissions will be adjusted using a formula based on the potential scenarios in which the thermal gap could change, thus allowing Endesa to accurately assess specific performance of the Company as relates to reduction of CO₂ emissions in line with its commitment to the decarbonization process.

SHORT-TERM VARIABLE COMPENSATION AT ENDESA S.A.

At Endesa, short-term variable compensation is managed based on the recognition of the contribution of each person to the Company's results according to the targets assigned and subsequent measurement of the results obtained according to the Company's guidelines.

The aforesaid targets are linked to the Company's recurring profit and short-term performance of the business. The key performance indicators used, *inter alia*, include:

- Economic-Financial: EBITDA (gross operating profit), Net Profits, Cash-Cost (fixed operating costs and maintenance investments), FFO (funds from operations, cash-flows before dividends, net investments and extraordinary transactions), regulated business margin, trade margin, integrated business margin, OPEX (fixed operating costs), Net Debt, CAPEX (material investments).
- Non-Financial: Safety and accident rate reduction, availability of production plants, business line efficiency and effectiveness indicators, service quality and specific projects.

Corporate governance, corporate social responsibility and sustainability targets, as well as targets linked to the individual performance of the Directors, may also be established.

Each target will be weighted based on its relative importance. Achievement levels are established for each target based on their level of demand, including a minimum performance threshold below which no right to incentive payment shall arise, a target level set at 100% and a maximum level, up to 120%, for surpassing objectives.

The Board of Directors, at the proposal of the Appointments and Compensation Committee, is in charge of establishing the targets and their weighting and achievement metrics at the beginning of each fiscal year, as well as for assessing achievement levels at the end of the year. The Appointments and Compensation Committee shall, based on the performance level and weighting of each target, determine a weighted average performance level that will be used as the base for calculating annual incentives.

The targets established for Executive Directors in fiscal year 2018 are linked to:

- Performance Target: Net Profits – 20% weight
- Efficiency Target: OPEX – 20% weight
- Financial Target: FFO (Cash-flow before dividends, net investments and extraordinary transactions) – 20% weight
- Business Target: Strategic Business Projects – 20% weight-
- Safety Target: linked to preventative control efforts as relate to the facilities and activities, as well as reducing the accident rate – 20% weight

Target short-term variable compensation for fiscal year 2018, just as in fiscal year 2017, for the Chairman and CEO is €708 thousand and €450 thousand, respectively; in both cases, the maximum value may reach 120%.

Variable compensation based on the Company's profit shall be paid out once the General Shareholders' Meeting has approved the annual financial statements and, if any reservations are expressed in the external audit report, the amount of said profit shall be reduced accordingly.