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ENDESA DIRECTOR REMUNERATION POLICY FOR 2020-2022



ENDESA Director Remuneration Policy for 2020-2022

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Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

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1.- Regulatory framework governing the Remuneration Policy

The Endesa Director Remuneration Policy was drawn up in accordance with prevailing law. It is largely in line with best practice in corporate governance, as set out in the Good Governance Code of Listed Companies and Technical Guide 1/2019 on Appointments and Remuneration Committees, both documents issued by the Spanish National Securities Commission (Comisión Nacional del Mercado de Valores).

In accordance with Article 529 novodecies of the Corporate Enterprises Act (Ley de Sociedades de Capital), Endesa's Directors' Remuneration Policy shall be approved by the General Shareholders' Meeting, as a separate agenda item, at least every three years.

The Remuneration Policy submitted by the Board of Directors to the General Shareholders' Meeting for approval shall be justified and accompanied by a specific report drafted by the Appointments and Remuneration Committee.

Endesa's Directors' Remuneration Policy is in line with the remuneration scheme provided for in the Company's Bylaws.

Any amendment or substitution of the policy during the period provided for in section 6 below shall require the prior approval of the General Shareholders' Meeting.

2.- General principles of the remuneration policy

The remuneration policy applicable to the Board of Directors is based on the principles of balance, effective dedication of the Board and alignment with the long-term strategies and interests of Endesa and its shareholders. Remuneration is aimed at attracting, retaining and motivating people with the adequate qualifications to perform the duties inherent in the office of Director of a Company with the characteristics and traits of a company such as Endesa, taking into account the duties, best remuneration practices and comparative analysis conclusions reached by specialised external advisors and the results of the Company.

Transparency in terms of remuneration is another of the principles that underpins this Policy, in line with best practices in corporate governance.

Non-Executive Directors receive only that remuneration which is required to compensate for their dedication, without compromising their independence. This is provided through a monthly fixed remuneration and attendance allowance.

Fixed remuneration amounts and allowances for Directors, in their condition as such, as well as remuneration of the Executive Directors are proposed to the Board by the Appointments and Remuneration Committee and are subject to the obligation of transparency.

Endesa's remuneration policy is largely in line with the recommendations of national and international corporate governance regulations and seeks to:

- Adequately compensate its Directors, taking into account the principles of equality, dedication and responsibility.



- Ensure that director remuneration is calculated in reasonable proportion to the Company's importance and economic situation, as well as to the market standards for comparable companies.

In particular, as regards the Executive Directors, Endesa's Remuneration Policy aims to:

- Establish remuneration based on objective criteria related to individual performance and achievement of the Company's business objectives.
- Ensure a remuneration structure that guarantees an adequate mix between fixed remuneration, ordinary variable remuneration and long-term variable remuneration.
- Ensure that variable remuneration components are linked to the achievement of specific and measurable objectives that are in line with the Company's interests and are consistent with its situation and strategy, taking into consideration their impact on the Company's sustainable and long-term performance.
- Ensure that variable remuneration components incorporate malus and clawback arrangements authorising non-payment by the Company or the right to request reimbursement of such components if the payment amount was not in line with actual performance or if it is subsequently determined that payments were based on data that was clearly erroneous.

The Appointments and Remuneration Committee, supported internally by senior members of the Human Resources, Strategy, Economic and Finance and Sustainability Divisions and the Committee Secretary, shall review the Endesa Director Remuneration Policy for 2019-2021 each year to determine whether it should be revised to ensure that it is aligned with the Company's situation and strategy and market conditions, assessing whether it contributes to long-term value create and adequate risk control and management.

3.- Remuneration system applicable to Executive Directors

As regards remuneration payable to the Executive Directors for performance of their executive duties (other than those duties carried out in their condition as directors), those remuneration items generally applied by listed companies to compensate their Senior Management shall be applied.

In this regard, Article 41 of the Corporate Bylaws states that compensation applicable by virtue of membership on the Board of Directors shall be compatible with all other compensation, indemnities, contributions to social welfare schemes or any other professional or labour compensation items to which the Directors may be entitled by way of any other executive or advisory duties they may perform for the Company which are different from the supervisory and collective decision-making duties inherent in their position as Directors, which shall be subject to all legally applicable requirements.

Directors shall be compensated for their executive duties based on the level of responsibility assigned to them and their individual performance, in line with market conditions for analogous levels of responsibility.

The remuneration of the Executive Directors is made up of fixed, variable short-term and variable long-term remuneration.

Target short- and long-term variable remuneration for Executive Directors shall account for 50% or over of total annual remuneration payable to them and linked to a metric ensuring remuneration for exceeding performance targets. This shall also include a minimum threshold below which no right to this kind of remuneration shall accrue.

Therefore, the total remuneration for Executive Directors may vary between a minimum, represented by fixed remuneration, and a maximum, which can be attained by exceeding targets. In these cases, variable remuneration will represent more than 60% of total remuneration.

3.1. Fixed remuneration

This remuneration will be in line with the market practices followed by comparable companies for analogous levels of responsibility and its weighting on total remuneration will be sufficient to ensure that sufficient flexibility is allowed to manage the variable components.

When determining and potentially updating such remuneration, the Appointments and Remuneration Committee shall take into account the preceding criteria and shall also make proposals to the Board of Directors regarding individual remuneration and other contract conditions for Executive Directors.

The annual fixed remuneration of the CEO amounts to 960,000 euros gross.

This amount has been set pursuant to the criteria outlined in Section 3.3 herein and will remain so as long as the Board of Directors does not agree to update it, as outlined in the aforesaid section.

3.2. Variable remuneration

Targets will be established for variable remuneration that are linked to variables based on individual performance and financial and non-financial criteria and shall be predetermined, quantifiable, measurable and in line with the Company's strategy, and shall also promote long-term sustainability and profitability of the Company. The Board of Directors, at the proposal of the Appointments and Remuneration Committee, shall establish the targets for each of the Executive Directors on an annual basis.

The variable remuneration established for Executive Directors will be covered by clauses enabling the deferment of payments until effective attainment of targets can be verified, and are also subject to clawback arrangements. In any event, the Appointments and Remuneration Committee shall verify each year whether the circumstances warrant proposing to the Board of Directors to apply these clauses.

3.2.1. Short-term variable remuneration

At Endesa, short-term variable remuneration 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.



These 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), Cash-Cost (fixed operating costs and maintenance investments), FFO (funds from operations, Cash flows before dividends, gross 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 injury rate reduction, availability of production plants, efficiency indicators, service quality, business line efficiency and specific projects.
- Corporate governance and corporate social responsibility targets – for example, reducing Endesa's CO2 emissions – as well as those linked to the individual performance of 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 target values for the Chief Executive Officer's short-term variable remuneration rose to 567,000 euros.

The Board of Directors, at the proposal of the Appointments and Remuneration Committee, shall approve the determination of each target, its weight and achievement metric before it is applied each year. It shall also assess achievement levels at the end of the year. The Appointments and Remuneration Committee shall, based on the performance level and weighting of each target, determine and propose to the Board a weighted average performance level that will be used as the base for payment annual incentives.

Variable remuneration based on the Company's results shall be paid out once the General Shareholders' Meeting has approved the annual financial statements and, if the external audit report contains any qualifications, the results shall be reduced accordingly.

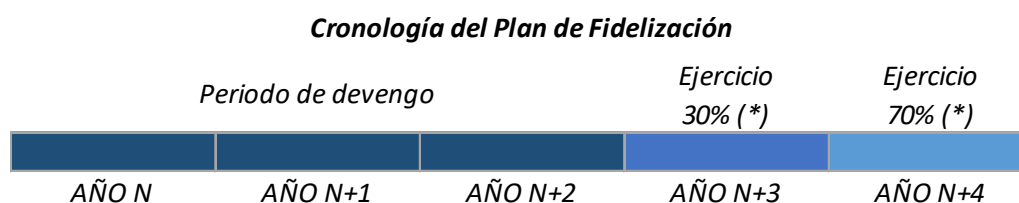
3.2.2. Long-term variable remuneration

Endesa's long-term variable remuneration was in place in 2019 through the so-called Loyalty Plan. In 2020, the Plan was partially redesigned and renamed "Strategic Incentive". Its main purpose will be to reward contributions to the sustainable fulfilment of the Strategic Plan by people in positions of greater responsibility, although the main change is that of adapting executive director remuneration to the best corporate governance practices, with shares included as part of the payment of the aforesaid "incentive".

Executive directors may not transfer the Company shares received as a result of the long-term variable remuneration plans referred to in this section, pursuant to the terms set forth in the Corporate Governance Code.

The Loyalty or Strategic Incentive Plan is structured through successive three-year programmes, commencing each year.

The plans provide 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 plan ends, and the remaining 70%, if applicable, in the second year after termination of the plan.



(*) En el caso del logro de objetivos de rendimiento

The Board of Directors shall, at the proposal of the Appointments and Remuneration Committee, be in charge of establishing objectives and determining if said objectives have been met:

For each programme and for each of the targets, a threshold level will be set beyond which the target will be considered to have been met. Two target over-performance levels will also be established – performance beyond the first level, equivalent to 150% and performance beyond the second level equivalent to a maximum 180%. Therefore, variable remuneration levels for each of the Programs will range from 0%-180% of the incentive base (target equals 100% achievement).

The target value for the CEO is 518,000 euros. The long-term variable remuneration targets are aligned with the creation of shareholder value and the contribution to the business strategy and the long-term interests and sustainability of the company. The benchmarks in this regard are Endesa's share price, EPS (earnings per Endesa share), TSR (total Endesa shareholder return), ROACE (return on average capital employed) and other indicators related to the strategic plan established by the Company and to sustainability, among others.

3.2.3. Ex-post control of variable remuneration

As regards short- and long-term variable remuneration, a *malus* clause will be applied, authorising the Company to withhold payments of any accrued and outstanding variable remuneration, as well as a clawback clause requiring directors to return any variable remuneration received in cases where, following payment of the incentive, it is found that the data used for such calculation or payment was clearly erroneous.

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

3.3.- Revision of Executive Director remuneration



In accordance with Article 217.4 of the Corporate Enterprises Act, which states that Directors' remuneration shall in all cases be reasonably proportional to the Company's relevance, economic situation from time to time and market standards for comparable companies, Directors' remuneration shall be regularly revised or updated.

Any potential changes to the Executive Directors' fixed annual remuneration or targets for variable remuneration during the period covered by this Policy shall be determined by the Board of Directors, taking into account, inter alia, performance information on the Spanish labour market, growth forecasts for each year and relevant market research and analyses. These changes will be announced in the Annual Directors Remuneration Report, which shall be submitted, as a separate agenda item, to a binding vote of the next General Shareholders' Meeting held.

3.4. Long-term savings schemes

Executive directors are beneficiaries of supplementary social welfare system benefits that cover the contingencies of retirement, disability and death.

Retirement:

This system is implemented through contributions to the Endesa Group Employees' Pension Plan in which the executive is a participant depending on which company they were hired by and when, as well as through additional contributions to an insurance policy or similar instrument for such purpose.

The Chief Executive Officer also benefits from a defined savings scheme based on their seniority and background in the Endesa Group, with the contributions and rights accrued thereunder reported annually in the Annual Report on Director Remuneration.

The Company maintains its commitment to the defined benefit consisting of the collection of an annual and constant annuity, after reaching the legal retirement age of 65 and having retired as CEO, for an estimated amount of 867,000 euros per year (including the public social security pension and the benefit derived from the pension plan), and with a reversion to the surviving spouse in the case of death equal to 45% of the income they were receiving, discounting the social security widowhood pension and the guaranteed widowhood pension in the pension plan.

The aforementioned annual amount has been estimated on the basis of the year 2022, when the CEO will reach the age of 67. In case of deferral of their effective retirement due to reappointment as Chief Executive Officer, this annual amount will be reassessed.

The rights of the beneficiary accrue thereto at the time of the contribution.

Death:

Regarding the coverage of disability and death, Endesa has signed a life and accident insurance policy which guarantees certain capital and/or income depending on the contingency in question.

Coverage of disability or death and of retirement are exclusive benefits, i.e. in the event of death or disability prior to effective retirement, the director, in the case of disability, or their beneficiaries, in the case of death, shall receive the benefits specified for such events, without this representing any right to receive retirement benefits.

3.5. Other remuneration

Executive directors, as well as all other senior managers, are provided with the following: a loan scheme, with or without interest, up to a maximum equivalent of their annual remuneration; a collective healthcare policy with a 100% subsidy for the policyholder's premiums and family dependants and assignment of a rental company car.

Like all other Endesa employees and under the same terms and conditions, executive directors have the right to electricity at the employee rate.

3.6. Main terms and conditions of Executive Director contracts

Executive Director contracts are indefinite. They generally include confidentiality, document return, termination and non-competition clauses in the following terms:

1.- Confidentiality: commits and undertakes to maintain strict confidentiality of all data and information on Endesa available to the Director by virtue of his/her position in the Company and further undertakes to neither use nor take advantage of said information whether for him/herself or on behalf of third parties.

2.- Return of documents: upon termination of his/her employment, the Director shall return to the Company all books, documents, materials and other assets related to his/her activity which may currently be under his/her authority, possession, or control.

3.- Termination: in certain cases of termination of the relationship, a minimum notice period of three months is established which, in case of any breach, requires the payment of the notice period not observed. The aforementioned contracts will not contain signing bonuses.

The system applied to the Chief Executive Officer is as follows:

The contract signed with the Chief Executive Officer does not provide for compensation for dismissal from office.

Notwithstanding the foregoing, when the Chief Executive Officer resigns, their previous relationship – his senior management contract, suspended since his appointment as CEO – will be automatically terminated, in which case, through the termination of his executive management relationship, Mr. Bogas will be entitled to receive a net amount of 6,527,000 euros, this sum being the result of reducing the gross severance payment consolidated by the amount of withholdings on account of personal income tax and, where appropriate, the Social Security contributions applicable on the date of payment.

This net amount of 6,527,000 euros includes the two-year post-contractual non-competition agreement included in the CEO's senior management contract. This remuneration is compatible with the defined benefit savings scheme for the CEO as specified in Section 3.4.

The termination in the event of death or retirement recognises the right of the CEO or its assignees to the guaranteed compensation.



The Annual Report on Director Remuneration provides the detail of severance payments agreed or paid as a result of the termination of duties as director.

4.- Settlement of wages: the severance payments described in section 3 above are without prejudice to the settlement of wages accrued by the Executive Director over the period of his/her directorship, the respect of any pension-related entitlements, including the contribution for the year of the termination, as well as the maintenance for a reasonable period of time in the Board of Directors' opinion of the remuneration in kind received as of the termination of the employment relationship.

5. Post-contractual non-competition agreement: 5. Specifically, in the case of termination of the CEO's employment, the conditions set forth in their contract include a post-contractual non-competition clause with a term of two years, with the remuneration included in the severance payment for senior management contractual termination referred to above.

3.7. Addition of new Executive Directors

Based on the principles of the remuneration policy, payment to any new executive directors added shall be determined based on the level of responsibility assigned thereto and their professional experience, ensuring that internal equality and external competitiveness are maintained and establishing remuneration in line with best market practices.

If one of the Company's senior executives is appointed as an executive director, their senior management contract shall be suspended and they shall execute a new contract as an Executive Director. If any such director resigns their position, the prior relationship may be resumed.

If new Executive Directors are appointment, their maximum remuneration shall be established by the Board of Directors, at the proposal of the Appointments and Remuneration Committee. However, the limit on the fixed and variable remuneration established in the previous sections for the CEO will be applicable to the Board of Directors. Moreover, his/her remuneration package may include participation in long-term savings schemes and other remuneration items in line with those established for the Company's senior officers.

The addition of new Executive Directors and their specific remuneration during the first year of office as Executive Director shall be disclosed in the Annual Report on Director Remuneration, which shall be submitted to a binding vote as a separate agenda item of the first General Meeting held thereafter. Any amendments to the Director Remuneration Policy or a new such policy itemising the remuneration of new executive directors shall also be submitted for approval at this General Meeting.

Notwithstanding the foregoing and pursuant to the best practices of corporate governance, when there are new appointments to Company or Group executive management, a maximum limit of two years of the total annual remuneration accrued shall be established for payments for termination of contracts, applicable under the same terms and conditions as with all executive directors.

4.- Remuneration system applicable to directors as such



The Remuneration Policy is aimed at, as regards remuneration of directors for their condition as such, adequately compensating Directors in accordance with the principles of equality, dedication and responsibility, provided said remuneration shall under no circumstances compromise their independence.

Director remuneration shall be calculated in reasonable proportion to the importance and economic position of the Company as well as to the market standards for comparable companies.

Taking into account the Remuneration Scheme provided in the Bylaws, the remuneration of Directors for their condition as such shall comprise the following two items:

- a) Fixed monthly remuneration.
- b) Allowances for attending each meeting of the governing bodies of the Company and their committees.

The Board of Directors itself, at the proposal of the Appointments and Remuneration Committee, shall be in charge of determining the exact amount to be paid in each fiscal year, subject to the limit set by the General Shareholders' Meeting, as well as allocating such amount between the directors, in the manner, time and proportion as freely determined, considering the positions, functions and internal responsibilities and of institutional representation entrusted to each Director, their membership in Board Committees and all other relevant objective circumstances.

In this regard, positions of the Board of Directors that should receive special remuneration are: Non-executive Chairman; Lead Director, and Chairman or member of the various Board committees.

Directors shall receive the following for their seat on the Board of Directors:

- Members of the Board of Directors:
 - ✓ Monthly fixed remuneration of Euros 15,642.56 (gross).
 - ✓ Allowances for attending each meeting of the governing bodies of the Company and their committees, of Euros 1,502.23 (gross).
- In addition to the remuneration indicated for members of the Board of Directors and in exercise of the powers to distribute the maximum amount of remuneration of directors as such approved by the General Meeting, the following criteria for remuneration shall be applicable in they are effectively appointed to these positions:
 - ✓ Non-executive Chairman of the Board of Directors: shall receive monthly fixed remuneration of Euros 50,000 (gross) (rather than the monthly fixed remuneration of Euros 15,642.56 (gross) provided for other members).
 - ✓ Chairmen of Committees: shall receive a monthly fixed remuneration of Euros 1,000 (gross) (in addition to the monthly fixed remuneration as member).
 - ✓ Lead Director: shall receive a monthly fixed remuneration of Euros 2,083 (gross) (in addition to the monthly fixed remuneration as member).



The amounts of remuneration of Directors as such may be revised annually by the Board of Directors at the proposal of the Appointments and Remuneration Committee, but always within the limit set by the General Meeting.

Finally, it should be noted that External Directors are not entitled to receive remuneration items provided to compensate for executive duties performed, including severance pay, contributions to social welfare systems or any other remuneration items applicable to the Executive Directors for any executive duties performed thereby, as the case may be, for the Company beyond monitoring and joint decision-making in their condition as Directors.

5.- Total annual remuneration paid to directors as a whole

In accordance with Article 41 of Endesa's Bylaws, maximum overall annual remuneration for the Directors in their condition as such shall be as established by the General Shareholders' Meeting and shall remain in force until such time as an amendment thereto is resolved.

In this regard, the maximum annual remuneration to be paid to directors in the form of attendance allowances, fixed monthly remuneration, for membership of the Board of Directors, for overseeing its committees and for performing the duties of coordinating director will total 4,000,000 euros, or any other amount that is subsequently approved by the General Shareholders' Meeting.

The maximum annual remuneration for Directors as a whole, for their performance of both executive and non-executive duties, shall be calculated including the remuneration items received by the Executive Directors, including:

- ✓ Fixed remuneration, as specified in section 3.1 hereof and updated, as the case may be, in the Annual Report on Director Remuneration.
- ✓ Short-term variable remuneration, qualitatively described in section 3.2.1. hereof, which also specifies the target levels and values to be attained by the Executive Directors. Said remuneration is established for each fiscal year, using the relevant indicators and the performance results as reported in the Annual Report on Director Remuneration.
- ✓ Long-term variable remuneration approved, as the case may be, by the General Shareholders' Meeting, qualitatively described in section 3.2.2. hereof, which also specifies the target levels and values to be attained by the Executive Directors. Said remuneration is established for each fiscal year, using the relevant indicators and the performance results as reported in the Annual Report on Director Remuneration.
- ✓ Long-term savings systems, as described in section 3.4. hereof, supplemented by the annual contributions specified in the Annual Report on Director Remuneration.
- ✓ Other remuneration, as described in section 3.5. hereof, with specific annual remuneration being detailed in the Annual Report on Director Remuneration.



- ✓ Furthermore, in the event of termination of the relationship with any Executive Director, the indemnities referred to in section 3.6. hereof and in the Annual Report on Director Remuneration could also be paid out.

The Appointments and Remuneration Committee shall verify, on an annual basis, that the Remuneration Policy is enforced and that the remuneration effective paid to each Director complies with the Policy.

6.- Remuneration Policy term

The Company shall apply the Director Remuneration Policy to the years from 2020 to 2022 and, in any event, until approval of the Director Remuneration Policy for 2023-2025.

Any amendment or substitution of the Director Remuneration Policy for 2020-2022 during said term shall require the prior approval of the General Shareholders' Meeting in accordance with current laws in force.

In any case, this Policy shall be interpreted notwithstanding any payments to be received by Executive Directors during these years in relation to deferred payments of variable remuneration from previous fiscal years, which shall be made subject to the relevant conditions established for such remuneration.