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APPOINTMENTS AND REMUNERATION COMMITTEE REPORT ON
PROPOSED OF THE DIRECTORS REMUNERATION POLICY FOR
2020-2022



The Appointments and Remuneration Committee Report to the Endesa, S.A. Board of Directors, in compliance with Article 529 (19) of the Corporate Enterprises Act (Ley de Sociedades de Capital) on the proposed resolution for approval of the Directors Remuneration Policy for 2020-2022

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

24 February 2020

I. Introduction:

The report is prepared by Endesa's Appointments and Remuneration Committee based on the content of the report¹ prepared by independent expert Deloitte analysing the alignment of the practices described in the proposed Remuneration Policy for 2020-2022 with the market and expert recommendations; with article 529 novodecies of the Corporate Enterprises Act (Ley de Sociedades de Capital), establishing the requirement that the Directors Remuneration Policy be approved by the General Shareholders' Meeting at least every three years and that the Board of Directors' proposal of the Remuneration Policy be justified and accompanied by a specific report from the Appointments and Remuneration Committee.

In this regard, the purpose of the Report is to explain the criteria adopted by the Committee to propose to the Board, the Remuneration Policy for the Directors of Endesa, which shall be submitted for approval, as a separate agenda item, to the Annual General Shareholders' Meeting, which will be held on 27 April 2020.

Furthermore and in accordance with Article 541 of the Corporate Enterprises Act, by proposal of the Board of Directors, the Annual Report on Director Remuneration for financial year 2019, shall be submitted, as a separate agenda item, to a binding vote of the General Shareholders' Meeting.

II. Appointments and Remuneration Committee: composition and duties relating to the remuneration of Directors and Senior Executives

Composition:

The Appointments and Remuneration Committee is comprised of a majority of Independent Directors, which ensures autonomy and freedom of judgement in the exercise of their duties related to making proposals and reporting on key decisions within the scope of their competencies. All members of the Committee have the experience and knowledge required to carry out their duties.

As of the issue date of this Report, the Appointments and Remuneration Committee is composed of five Non-Executive Directors, four of which are Independent Directors.

Position	Members	Date of appointment	Nature
Chairman	Mr Miquel Roca Junyent	30.06.2009 19.09.2016*	External-Independent
Director	Mr Alberto de Paoli	04.11.2014	External-Proprietary ⁽¹⁾
Director	Mr Alejandro Echevarría Busquet	24.07.2012	External-Independent
Director	Mr Francisco de Lacerda	07.05.2015	External-Independent
Director	Mr Ignacio Garralda Ruíz de Velasco	07.05.2015	External-Independent
Secretary	Mr Borja Acha Besga	01.08.2015	

Date of appointment as Chairman of the Appointments and Remunerations Committee

⁽¹⁾ He represents Enel

¹ "The aspects analysed in the report are: (i)

Duties related to the remuneration of Directors and Senior Executives:

The Appointments and Remuneration Committee shall be entrusted with the duties of appointing and removing Directors and Senior Executives, as well as with establishing their remuneration.

In accordance with the Bylaws and the Board of Directors Regulations, the duties of the Appointments and Remuneration Committee as regards remuneration are, inter alia, as follows:

- To report to the Board of Directors on proposals for the appointment or removal of Endesa's Senior Executives together with the key terms of their contracts, including remuneration.
- To propose the adoption of Senior Management remuneration schemes that take the companies' profits into account. The Committee shall also apprise itself of and assess the Company's policy for executives as regards, in particular, training, promotion and selection.
- To propose the Directors Remuneration Policy to the Board of Directors, as well as individual remuneration and other contract terms for Executive Directors, ensuring compliance therewith.
- To verify information regarding remuneration of Directors and Senior Executives provided in various corporate documents, including the Annual Report on Director Remuneration.
- To ensure that any potential conflicts of interest do not threaten the independence of any external advising provided to the Appointments and Remuneration Committee.

III. Description and justification of the Directors Remuneration Policy for 2020-2022 reported on by the Appointments and Remuneration Committee for proposal to the General Shareholders' Meeting

The new Directors Remuneration Policy for 2020-2022 submitted for consideration by the Board of Directors before it is presented at the General Shareholders' Meeting follows on from the Directors Remuneration Policies for 2016-2018, 2018-2020 and 2019-2022.

The submission of a new Policy to the General Shareholders' Meeting for approval has been considered, before the end of the period of validity of the Remuneration Policy 2019-2021 due to its necessary adaptation to circumstances such as the termination of the former Chairman Mr. Prado on 12 April 2019 and the appointment of a non-executive Chairman, Mr. Sánchez-Calero, the modification of the contractual framework regarding the CEO, as well as other technical improvements.

Specifically, the following changes have been introduced in the Remuneration Policy for 2020-2022:

- Modification of the contractual framework of Mr. Bogas in relation to the time he will receive his severance payment or guaranteed compensation and his rights to a long-term savings system, both provided for at the age of 65 (2020) and which, with the modification, have been postponed at the time of his resignation as CEO of Endesa, for any reason, accepting retirement.

Additionally, since 12 April 2019, the Executive Chairman was replaced by a non-executive and independent Chairman, so the CEO was constituted for all purposes as the first executive of the Company, increasing his responsibility, and in this sense, with the help of the external consultant Deloitte, a comparative analysis has been carried out with the companies in the sector in relation to Mr. Bogas' remuneration, which has concluded that his remuneration is below the average of comparable companies by size and sector.

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.

For all these reasons, in the Remuneration Policy for 2020-2022, Mr. Bogas' fixed remuneration is increased by 220 thousand euros and the target of his short-term variable remuneration by 117 thousand euros.

- In order to further align its remuneration policy with recommendations and good market practices, in the long-term variable remuneration of executive directors, the giving of shares has been included as part of the payment of the "Strategic Incentive".

Additionally, Executive Directors may not transfer the shares of the Company received as a consequence of the long-term variable remuneration plans, in accordance with the terms established by the Good Governance Code.

- Additionally, in response to the foreseeable increase in the number of members of the Board of Directors at the next Ordinary General Shareholders' Meeting, the maximum amount of annual remuneration of all the directors of the Company as such has been increased from three to four million euros. In any case, it should be noted that this increase in the maximum amount does not imply an increase in the individual remuneration of the members of the Board as such.

In addition, the following technical improvements are introduced:

- The express reference to transparency regarding remuneration has been explicitly included in the general principles of the Policy;
- references to Mr. Prado, CEO of Endesa until 12 April 2019 have been deleted;
- in line with best practices in corporate governance, the language used has been adapted, introducing the concept of "Sustainability".

If approved by the General Shareholders' Meeting, the new Policy will become effective from 01 January 2020 and remain valid, in any event, until the approval of the Directors Remuneration Policy for 2023-2025.

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

Based on all of the above, the Appointments and Remuneration Committee has concluded that the Directors Remuneration Policy is in line with applicable regulations, recommendations, the regulatory environment and best practices, following all good governance and transparency criteria, is consistent with the Company's circumstances and, ultimately, enables the Company to have an adequate remuneration policy in line with the interests of the shareholders and providing for prudent risk management.

In this regard, Deloitte states as a conclusion of its analysis that, in general, Endesa's practices are in line with the market and expert recommendations. For this purpose, it states that:

- The Remuneration Policy for 2020-2022 is compatible with the remuneration regime of the Board of Directors provided in the Endesa Bylaws.
- The Remuneration Policy for 2020-2022 complies with the legal requirements and foresees the formalities established for the remuneration of the members of the Board of Directors, mainly contained in the Corporate Enterprises Act.
- The Remuneration Policy for 2020-2022 is aligned with the main guidelines and recommendations on corporate governance contained in the Good Governance Code and in the Technical Guide.
- The remuneration regime contained in the Remuneration Policy for 2020-2022 is similar to that of comparable entities both by size and by activity.
- The Remuneration Policy 2020-2022 is aimed at promoting Endesa's long-term profitability and sustainability as well as at including the necessary precautions to prevent excessive assumption of risk and rewarding unfavourable results.
- The remuneration structure for Executive Directors guarantees a proper combination between fixed remuneration, ordinary variable remuneration and long-term variable remuneration.
- The Policy for 2020-2022 increases transparency in the information regarding the remuneration of the administrative body, which facilitates the confidence of the market, of shareholders and of *proxy advisors* and is in line with the indications of the CNMV.

Consequently, the Appointments and Remuneration Committee hereby issues this report justifying the Policy to, if approved by the Board of Directors, be presented together with the Directors Remuneration Policy to the Annual General Shareholders' Meeting, scheduled to be held on 27 April 2020.