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BOARD COMMITTEE INTEGRATED REPORT FOR FINANCIAL  
YEAR 2019



## **BOARD COMMITTEE INTEGRATED REPORT FOR FINANCIAL YEAR 2019**

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

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**AUDIT AND COMPLIANCE COMMITTEE  
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## 1. REGULATORY FRAMEWORK

Endesa's Audit and Compliance Committee was voluntarily established by the Board of Directors in 1998, in order to fulfil the so-called Olivencia Code.

In 2002, Act 44/2002, on measures to reform the financial system, added the obligation for securities issuers whose shares or obligations were admitted to trading on secondary official securities markets to have an Audit Committee, to Act 24/1988, regulating the Securities Market.

Since 2010, the legal regime of the Audit Committees has been reinforced through the Capital Companies Act, which has successively incorporated practices and principles of good governance.

In June 2017, the National Securities Market Commission approved the "Technical Guide 3/2017 on Audit Committees of entities of public interest", among others, in accordance with the Accounts Auditing Act that entrusts the National Securities Market Commission with the supervision of the functions attributed to the Audit Committees.

Finally, the Endesa Audit and Compliance Committee has its own Regulations, which regulate its functions, organisation and operation in accordance with the Law, the Articles of Association, the Regulations of the Board of Directors and the Technical Guide of the National Securities Market Commission.

## 2. COMPOSITION

The composition of the Audit and Compliance Committee as of 31 December 2019 is as follows:

| Position  | Members                                       | Date of appointment        | Nature                              |
|-----------|---|----------------------------|-------------------------------------|
| Chairman  | Mr. Ignacio Garralda Ruíz de Velasco          | 07.05.2015<br>19.09.2016 * | External-Independent                |
| Director  | Mr. Alejandro Echevarría Busquet              | 20.07.2009                 | External-Independent                |
| Director  | Mr. Alberto de Paoli                          | 04.11.2014                 | External-Proprietary <sup>(1)</sup> |
| Director  | Ms. Helena Revoredo Delvecchio <sup>(2)</sup> | 04.11.2014                 | External-Independent                |
| Director  | Mr. Francisco de Lacerda                      | 07.05.2015                 | External-Independent                |
| Director  | Mr. Miquel Roca Junyent                       | 30.06.2009                 | External-Independent                |
| Secretary | Mr. Borja Acha Besga                          | 01.08.2015                 |                                     |

<sup>(1)</sup> Represents Enel.

<sup>(2)</sup> Ms. Helena Revoredo ceased in her duties as a company director on 15 January 2020.

\*Date of appointment as Chairman of the Audit and Compliance Committee.

The Audit and Compliance Committee is composed of six non-executive members of the Board of Directors, of which five (83%) are independent. Additionally, a Proprietary Director is on the Committee, who represents the controlling shareholder Enel, which owns 70.10% of Endesa's shareholding.

The Policy for selecting of candidates for director ensures that the proposals for the appointment of directors are based on a prior analysis, among others, of the needs of the Audit and Compliance Committee, and favours the diversity of knowledge,



experience and gender, thus expressing Endesa's commitment to a plural composition in its governing bodies.

In particular, this Policy aims to incorporate professional experiences and skills, as well as different management skills (including those specific to the business carried out by the Company, as well as economic/financial, accounting and auditing, internal control and business risk management, and legal skills), on the Board, as well as to promote gender and age diversity as far as possible.

- Gender: In FY2019, the percentage of women on the Committee was 16.66%.
- Age: The average age of the Committee is 68.2 years, with ages ranging between 54 and 79 years.
- Seniority: the average time members are on the Committee is 6.3 years in FY2019.
- The directors on the Committee are diversely trained, but especially in the disciplines of finance and risk, specifically the economic-financial, accounting and auditing, internal control and business risk management, and legal areas. Together, the directors gather sufficient technical knowledge and experience to be able to carry out their work conveniently.
- By nationality, non-Spanish committee members account for 50%.

Endesa understands that diversity in all its forms, at every level of its professional team, is a key component to ensuring the Company's competitiveness and also plays a key role in its corporate governance strategy that ensures a critical attitude, as well as the expression of different points of view and positions and the analysis of its strong and weak points.

The full profile of the members of the Audit and Compliance Committee can be found on the Company's website.

| DIRECTORS                        | QUALITIES AND SKILLS |       |            |          |                 | DIVERSITY       |             |        |     |
|----------------------------------|----------------------|-------|------------|----------|-----------------|-----------------|-------------|--------|-----|
|                                  | Finance and Risks    | Legal | Management | Strategy | Human Resources | Years in office | Nationality | Gender | Age |
| Ignacio Garralda Ruíz de Velasco | ✓                    | ✓     | ✓          | ✓        |                 | 4               | SP          | M      | 68  |
| Alejandro Echevarría Busquet     | ✓                    |       | ✓          | ✓        |                 | 10              | SP          | M      | 77  |
| Alberto De Paoli                 | ✓                    |       | ✓          | ✓        |                 | 5               | IT          | M      | 54  |
| Helena Revoredo Delvecchio       | ✓                    |       | ✓          | ✓        |                 | 5               | ARG         | W      | 72  |
| Francisco de Lacerda             | ✓                    |       | ✓          | ✓        |                 | 4               | PORT        | M      | 59  |
| Miquel Roca Junyent              | ✓                    | ✓     | ✓          | ✓        | ✓               | 10              | SP          | M      | 79  |

### **3. COMMITTEE COMPETENCES**

The primary duty of the Audit and Compliance Committee is to advise the Board of Directors and to monitor and oversee the independence of the statutory auditor, the effectiveness of internal control and risk management mechanisms, and the processes for drafting and presenting financial and non-financial information, as well as to report to the Board of Directors on linked operations.

In any case, the Board of Directors may assign any additional responsibilities to the Audit and Compliance Committee that are not reserved to another body by virtue of law, the Articles of Association or the Regulations of the Board of Directors.

Upon the approval by the National Securities Market Commission of the "Technical Guide 3/2017 on Audit Committees of entities of public interest", in December 2017 the Regulations of the Audit and Compliance Committee were amended.

### **4. COMMITTEE OPERATION AND MEETINGS**

The Audit and Compliance Committee establishes an annual work plan laying out specific objectives for each of its duties and an annual meeting schedule, taking into account the time required for each of the different duties and the meeting schedule of the Board of Directors.

The Audit and Compliance Committee shall meet in accordance with the annual meeting schedule, and as often as convened by its Chairman, when so resolved by the majority of its members or at the request of the Board of Directors or of the Coordinating Director, subject to a minimum of four meetings per year and at least one meeting to be held upon publication of annual or interim financial information.

The Secretary shall, following the instructions of the Committee Chairman, channel and provide all required information and documentation to the remaining members of the Committee sufficiently in advance to ensure that all members have enough time to analyse the information and documentation prior to each meeting.

During FY2019, the Audit and Compliance Committee met thirteen times, with an average attendance of 79% participation in the sessions held.

The Chairman of the Audit and Compliance Committee, through the Secretary, may request that any member of the Board of Directors attends the Committee meetings as deemed convenient and in all cases at the meeting to be held upon publication of annual or interim financial information, the Committee meetings may also be attended by the internal auditor and, if a review report is issued, by the statutory auditor, for agenda items in relation to which they were invited to attend. Any meetings held with the internal auditor or statutory auditor shall be held, at least in part, without the attendance of the Company's management so that any specific issues arising from the reviews performed may be discussed in private.

The individualised assistance of the members Audit and Compliance Committee during FY2019 is detailed in annex I.

Interventions in the Audit and Compliance Committee 2019:

| <i>ADDRESS</i>                                  | <i>NUMBER OF ATTENDANCES AT ACC<br/>SESSIONS IN 2019 (*)</i> |
|---|--|
| <i>ADMINISTRATION, FINANCE AND CONTROL</i>      | 12   |
| <i>INTERNAL AUDIT</i>                           | 12   |
| <i>EXTERNAL AUDITOR</i>                         | 7  |
| <i>CEO</i>                                      | 9  |
| <i>DPO</i>                                      | 2  |
| <i>TAX ADVICE</i>                               | 2  |
| <i>HUMAN RESOURCES</i>                          | 3  |
| <i>SUSTAINABILITY</i>                           | 1  |
| <i>ICT</i>                                      | 2  |
| <b><i>OTHER CORPORATE OR BUSINESS AREAS</i></b> | 9  |

(\*) The attendance of the Director does not imply that they stayed for the entire session of the Committee, but exclusively for those items on the agenda for which they are called.

## 5. WORKS CARRIED OUT DURING THE YEAR 2019

The Audit and Compliance Committee, through its Chairman, informed the Board of Directors of the development of each and every one of the sessions held. The main issues analysed by the Committee in 2019 are detailed below:

### 5.1 Financial and non-financial information and control mechanisms associated with internal control.

#### a) Individual and Consolidated Annual Accounts and Management Report corresponding to the financial year ending at 31 December 2018.

The Audit and Compliance Committee, in session on 25 February 2019, with the participation of the General Manager for Administration, Finance and Control, analysed the Individual and Consolidated Annual Accounts and Management Reports for the financial year ending at 31 December 2018, prior to their being drawn up by the Board of Directors.

The Committee, in the exercise of its supervisory function in relation to its mandatory annual accounts report, took into account:

- The accreditation of the independence of the external auditor, based on the Report of Independence of the accounts auditors and the auditor's declaration of independence.

- The Report presented by the auditor and specifically the final results of their audit process.
- The effectiveness of the Financial Information Internal Control System, accredited by both the reports submitted by the Internal Control Unit, the General Internal Audit Department and an independent expert (Deloitte) and as stated by the external auditor themselves.
- The accounting and financial explanations and arguments presented to the Committee by the Economic-Financial General Manager of the Company.

Likewise, the representatives of the external auditor Ernst & Young, S.L., presented the audit work carried out and issued a favourable report of the Individual and Consolidated Annual Accounts and Management Reports for the financial year ending at 31 December 2018.

In addition, the external auditor, in accordance with Article 36 of the Accounts Auditing Act, presented and explained the content of the additional report for the Audit and Compliance Committee, which explains the following issues: Nature, frequency and scope of communication with the Board of Directors, Audit and Compliance Committee and Management; audit methodology used; qualitative level of relative importance applied; knowledge of the relevant internal control in order to design appropriate audit procedures, confirming that no significant deficiencies are identified in the same which would have to be reported; evaluation of the main valuation methods applied to the different items of the annual financial statements, confirming that they are in accordance with the corresponding regulations.

Finally, the Ordinary General Shareholders' Meeting of Endesa, S.A. held on 12 April 2019, approved the Consolidated Annual Accounts and Consolidated Management Report of Endesa, S.A. and Subsidiaries corresponding to the financial year ending at 31 December 2018, as well the Annual Accounts and Management Report of Endesa, S.A. corresponding to the financial year ending at 31 December 2018.

#### **b) Individual and Consolidated Financial Statements for the first half of 2019 and Quarterly Consolidated Financial Information.**

During the period covered by this activity report, the Committee analysed the intermediate declarations of the first and third quarter of 2019 and the half-yearly financial report corresponding to the first half of 2019, prior to its presentation to the Board, with the support of the General Manager for Administration, Finance and Control.

The Audit and Compliance Committee reported favourably on the Consolidated Financial Statements corresponding to the interim statements and the half-yearly report referred to.

In session of 22 July 2019, the representatives of the external auditor, Ernst & Young, S.L., informed the Audit and Compliance Committee about the work done in relation to the half-yearly results.

### **c) Internal Control System Financial Information**

The functions of the Audit and Compliance Committee include supervising the effectiveness of the internal control of the Company's financial information.

In this regard, in FY2018, the Director of Administration, Finance and Control presented the general lines of the operation of the Endesa Internal Financial Information Control System (SCIIF), so the Audit and Compliance Committee has all available information to adequately monitor its effectiveness, in accordance with the National Securities Market Commission Technical Guide.

The Audit and Compliance Committee in FY2019 supervised:

- ✓ The Internal Control System of the Financial Information for the year 2018, in session of 25 February 2019 based on the Reports issued by the Internal Control Unit of the General Management for Administration, Finance and Control, the General Management for Internal Audit, and an independent expert, the firm Deloitte, which prepared three reports that prove that the level of trust and reliability of the SCIIF in Endesa is adequate and that the evaluation of the operation of the SCIIF as of 31 December 2018 has been satisfactory, not underlining any deficiency that might affect the overall functioning of said system.
- ✓ The Internal Control System of the Financial Information for the first half of 2019, in session of 22 July 2019, based on the Reports issued by the Internal Control Unit of the Management for Administration, Finance and Control and by the Endesa Internal Audit Unit, which conclude that the level of trust and reliability of the SCIIF in Endesa is adequate and that it operated effectively during the first half of 2019.

Additionally, the Committee approved the contracting of Deloitte to make a report on the trustworthiness and reliability of the Internal Financial Information Control System 2019 to support its overseeing work.

### **d) Statement of individual and consolidated group non-financial information 2018**

On 24 November 2017, Royal Decree-Law 18/2017 was promulgated, which transposed Directive 2014/95/EU into Spanish law, dealing with the dissemination of non-financial information and diversity. On 28 December 2018, through Law 11/2018, the Commercial Code and the Capital Companies Act regarding Non-Financial Information were again modified, developing the specific content of non-financial information.

The Audit and Compliance Committee, in session on 25 February 2019, with the participation of the General Manager for Sustainability, analysed the individual Non-Financial Statement of Information of the Company and its Consolidated Group for the year 2018, verified by the External Accounts Auditor and in accordance with the modifications made in Act 11/2018, prior to their drawing up by the Board of Directors.

The Statement of Non-Financial Information contains the information necessary to understand the evolution, the results and the situation of the Group, and the impact of its activity on environmental, social and personnel issues, respect for human rights and the fight against corruption and bribery.

### **e) Other actions around Financial Information.**

The Committee in its work of monitoring financial and non-financial information has continuously reviewed and analysed the financial statements and other non-financial information with the Administration, Finance and Control Management, the Auditing Department and the External Auditor. In this regard:

- The Director of Administration, Finance and Control has presented the Financial Management Report for 2018 and the first half of 2019, which included the following issues: Macroeconomic environment - Debt situation - Comparable items in the energy sector - Debt projections 2019/2023
- The Director for Administration, Finance and Control, together with the Secretary of the Board of Directors and the General Manager for People and Organisation informed the Committee about the changes made by Law 11/2018 of 28 December on non-financial information, in the Commercial Code and in the Capital Companies Act.
- The Director for Auditing is present at all points on financial information discussed in the Committee.
- The external auditor, Ernst & Young, S.L., informed the Audit and Compliance Committee about the work done in relation to the half-yearly and annual results.
- The Committee, in the exercise of its supervisory function, verified the coincidence and update of the financial information published on the National Securities Market Commission's website with that published on the corporate website and compliance with the requirements of Circular 3/2015 of the National Securities Market Commission with the help of an external advisor.
- The Committee, in the exercise of its supervisory functions, prior to its approval by the Board of Directors of the Company, unanimously reported the discontinuity of the activity of peninsular coal thermal generation, and the analysis of its consequences.

## **5.2 Internal Audit**

The functions of the Audit and Compliance Committee include directly supervising the Internal Audit area, which will depend hierarchically on the Board of Directors, and functionally on the Chairman of the Committee.

The General Manager for Auditing, for the purposes of the Committee's supervisory competence, periodically presented the Committee with the activities that the Internal Audit Department carried out in 2019:

- ✓ Approval of the Internal Audit 2019 budget and work plan, as well as modifications that occurred during the period.
- ✓ Reports on Internal Audit activities for 2018 and the first half of 2019, which include a report on complaints against ethical regulations.
- ✓ Report on the follow-up of internal audit action plans as of 31 December 2018 and 30 June 2019.
- ✓ Internal Audit Report on related operations 2018 and first half of 2019.

Additionally, the Committee, in its function of supervising the determination of the variable remuneration of the person responsible for the internal auditing function, thus

avoiding the area objectives compromising their objectivity and independence, all without prejudice to the competence of the Board of Directors in the final determination of the applicable remuneration policy, was informed of the result of the 2018 variable remuneration of the internal auditing manager and approved the proposal of goals for 2019.

In accordance with its Regulations, the Committee hired an independent third party to certify/evaluate the internal audit function, the results of which were reported in January of FY2019.

In this sense, in the process of the independent third party evaluating the function and the performance of its manager:

- ✓ The work, methodology and internal management of the function were reviewed in 2018. A report was issued to this end, with the results on compliance with the regulations applicable to the function and with the evaluation of their performance, in comparison with the good practices that are trending in the sector through external benchmarking with other IBEX-35 Companies.
- ✓ The criteria established for the evaluation of the performance of the Internal Auditing Manager in 2018 were analysed.

Finally, the declaration of independence of the person responsible for Internal Audit in accordance with the Internal Audit Statute, International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors were delivered to the Committee.

### **5.3 Legal Audit**

In the development of the powers related to the legal audit, the Audit and Compliance Committee:

- ✓ Issued and published the Report "Result of the Legal Audit for the financial year 2018" on the Company's website, in order to fulfil its responsibility to inform the General Shareholders' Meeting of the result of the audit and its contribution to the integrity of the financial information.
- ✓ In order to ensure the independence of the external auditor and in accordance with the policy of providing services other than those of auditing and relating with the auditor
  - In session on 25 February 2019, prior to the issuance of the accounts audit report and in accordance with article 529(4) of the Capital Companies Act, it approved a report expressing the opinion on the independence of the accounts auditor. The aforementioned report concludes that the additional services provided by Ernst & Young, S.L. to Endesa, S.A., to the best of their knowledge and belief, do not compromise the independence of said auditing company. Likewise, the external auditor presented a letter stating their independence.

- They approved and informed the Board of Directors of the provision of additional services by the auditing firm, with their respective budgets, in sessions of 28 January 2019, 11 March 2019, 17 June 2019, 22 July 2019, 27 September 2019 and 16 December 2019.

In all additional services provided by the auditing firm, the external auditor is required to provide a certificate of independence for each of the additional services to be provided, prior to approval by the Audit and Compliance Committee, in which the auditor confirms that to the best of their knowledge and belief, the services comply with the corresponding independence regulations.

Likewise, in accordance with the policy for the provision of additional services, the compliance is required of the General Management for Administration, Finance and Control and the General Management for Internal Audit and General Secretariat.

- In December 2018, the Endesa Annual Accounts Auditor Selection Procedure for the period 2020-2022 was completed, with the recommendation by the Audit and Compliance Committee to the Board of Directors of two candidate firms to perform the audit. According to the legal regulations on accounts auditing, art. 5 Regulation EU 537/2014, determines the prohibition on the future accounts auditor and its network providing certain services outside accounts auditing to Endesa, S.A. or the Controlled Companies of its Group, in the year immediately preceding the audited period (FY2019), that is, the so-called cooling-in period. Erring on the side of caution, these limitations were applied to the two candidate firms and their networks.

That is why the Committee in January 2019 approved the procedure to be followed for new contracting of services other than auditing with the candidate firms, until 31 December 2019, as well as the new professional services, other than the accounts auditing.

In this regard, the Committee learned and agreed with the analysis of the work contracted by Endesa and the Controlled Companies of its Group in the 2019 financial year, with the two firms that were candidates to be auditors of Endesa in the period 2020-2022, in order to guarantee the compatibility of these works with the Endesa Accounts Auditing service in the financial year 2020 and reported them to the Board of Directors in its sessions of 25 February 2019, 6 May 2019, 22 July 2019 and 16 December 2019.

- It informed the Board of Directors of the extension of fees corresponding to the Auditing Services of the individual and consolidated Annual Accounts of Endesa, S.A. with the new conditions related to the entry into operation of the new economic management system (segregation of duties) and review of the information systems of Endesa migrated in 2019, which modify the basis on which the fees were determined.
- It was informed by the Accounts Auditor of the 2019 Activity Plan in which the accounts audit services are to be developed for the year



2019 explaining: other professional services provided; the calendar with the main activities scheduled; the strategy and planning of the auditing work, and the processes related to the Financial Information Internal Control System (SCIIF); significant auditing and accounting matters; the issues related to the internal control and good governance of the Company, and the general principles of the structure and content of the reports that will be presented during the year.

- ✓ Finally, to complete its supervisory work on the performance of the auditor and their contribution to the quality of the audit and the integrity of the financial information has issued, the Committee, in its May 2019 session, issued the Final Evaluation Report about the performance of the auditor, based on the work and opinion of the Administration, Finance and Control Department and the Auditing Department. In preparing the evaluation report, the Committee focused the assessment on the consideration of the analysis of the following parameters: frequency and quality of communications, independence of the accounts auditor, opinion on the accounts auditor of the management, the report on the transparency of the accounts auditor and public results of the quality controls carried out by the supervisors and other available information.

#### **5.4 Risk Management Control System**

The functions of the Audit and Compliance Committee include supervising the effectiveness risks management system.

In this regard, the Audit and Compliance Committee was informed, in the exercise of its supervisory function, by the CEO, the General Manager for of Institutional Relations and Regulation, the General Manager for Energy Management, the General Manager for People and Organisation, the General Manager for Thermal Generation, the General Manager for Renewable Energies and the General Manager for Administration, Finance and Control, prior to their approval by the Board of Directors of the Company, of the annual evaluation of Endesa's financial and non-financial risks through the 2019 Risk Map, and the tolerance level established for the most significant risks.

The Audit and Compliance Committee each quarter monitored the effectiveness of the risk management system, based on the information received by the General Manager for Administration, Finance and Control Officer, at the sessions of 11 March 2019, 17 June 2019, 27 September 2019 and 16 December 2019.

On 16 December 2019, the Audit and Compliance Committee reported the modification of the General Risk Control and Management Policy and proposed the Risk Appetite Framework 2020 to the Board of Directors, in compliance with the best proposals of the external consultant KPMG in December 2018 on the operation of Endesa's Risk Systems.

In addition to the information of the General Management for Administration, Finance and Control and complying with the requirements of Technical Guide 3/2017 to receive periodic reports on the operation of the established systems and the conclusions reached on the risk management system, the Committee was informed, among other things, about cyber security matters by the General Manager for ICT, who reported on the

strategy of cyber security, integrated asset management, network and data protection systems, digital identity management and the computer emergency response team.

## 5.5 Corporate Governance

The main actions related to corporate governance competences taken by the Audit and Compliance Committee in FY2019 were:

- ✓ To report favourably, prior to approval by the Board of Directors, on:
  - the modification of the “Internal rules of conduct in the securities markets and in the emission rights markets” and their internal development regulations;
  - the modification of the Regulations of the Board of Directors in the April 2019 session;
  - the modification of the Corporate Governance Policy in the April 2019 session;
  - and the update of the Corporate Standard of the Endesa Board of Directors.
- ✓ To supervise compliance with the company's rules of corporate governance:
  - The Committee, in its session of 16 December 2019, assessed the recommendations included in the Code of Good Governance of Listed Companies for the year 2019 and examined the result of its follow-up, which will be included in the Annual Corporate Governance Report.
  - It supervised the monitoring of the Communication and Relationship Strategy with Shareholders and Investors, in order to ensure that the Company maintains transparent, complete and truthful information with its shareholders and institutional investors.
  - In this regard, and given that the Endesa Corporate website is the main official communication channel of the Company with shareholders and investors and the market in general, the Committee, in its supervisory work, agreed to verify the coincidence and updating of the financial information published on the National Securities Market Commission website, with which it appears on the corporate website, and the fulfilment of the requirements of Circular 3/2015 of the National Securities Market Commission, all with the help of the KPMG external advisor.
  - In order to provide greater reliability and transparency on the operation of the General Shareholders' Meeting, in safeguarding the rights of shareholders in the process of convening, preparing and holding the Board, the Audit and Compliance Committee approved the Review of the General Shareholders' Meeting 2019 by the external advisor KPMG, which concluded with an accreditation on the fulfilment of the procedures for application to the General Shareholders' Meeting.
- ✓ To propose the following reports to the Board of Directors for approval and publication:
  - Activities Report of the Audit and Compliance Committee and the Report of related operations carried out with significant shareholders and directors of the year 2018, all in session of 28 January 2018.
  - Annual Corporate Governance Report 2018, in session of 25 February 2019.

- ✓ The Audit and Compliance Committee in its session of 16 December 2019, approved a calendar of sessions and an annual work plan 2020, its goals for the year 2020, and the verification of the performance of those established for 2019.

## **5.6 Tax Matters**

The main actions related to tax matter competences taken by the Audit and Compliance Committee in FY2019 were:

- ✓ To inform the Board of Directors after becoming aware of the Tax Policies followed by Endesa in 2018, thus complying with the Corporate Governance development regulations in tax matters and with the provisions of the Code of Good Tax Practices, to which both Endesa and its controlled subsidiaries are adhered.
- ✓ To receive half-yearly information on the tax situation of the company, thus complying with the development rules of corporate governance in tax matters and the provisions of the Code of Good Tax Practices. Additionally, it was informed about the presentation, on 5 July 2019, of the Annual Report of Reinforced Transparency related to the year 2018, before the tax authorities within the voluntary system of reinforced transparency to which Endesa is adhered.

## **5.7 Regulatory compliance**

The main actions related to criminal risk prevention competences taken by the Audit and Compliance Committee in FY2019 were:

- ✓ To supervise compliance with the Criminal Risk Prevention Model:
  - Activity report and monitoring of FY2018, with the result of the work carried out during the year, description of the implementation and updating activities, and the results of the supervision of the Model controls.
  - Approval of the programme of Activities of the Criminal Risk Prevention Model corresponding to FY2019.
  - Review of AENOR accreditations allowing the maintenance of certifications until October 2020.
- ✓ To twice receive information about the status of Endesa and the evolution of data protection regulations.

## **5.8 Corporate social responsibility and sustainability**

The main actions related to corporate social responsibility and sustainability taken by the Audit and Compliance Committee in FY2019 were:

- ✓ Supervision of the monitoring of corporate social responsibility practices on human rights.

- ✓ To inform the Board of Directors about the Endesa Sustainability Report for the year 2018.
- ✓ To inform the Board of Directors of the Endesa Sustainability Plan 2019-2023 and to supervise the annual monitoring of the level of compliance with the 2018-2022 Sustainability Plan.

## **5.9 Related operations**

All information regarding related operations reported by the Committee in 2019 is available in the "Report on operations related to significant shareholders and directors, reported by the Audit and Compliance Committee to the Board of Directors, in FY2019".

Additionally, in a session of 28 January 2019, the Committee supervised the Internal Audit Report on related operations carried out in 2018.

## **6. EVALUATION OF THE AUDIT AND COMPLIANCE COMMITTEE**

In accordance with the provisions of article 529 (9) of the Capital Companies Act and recommendation number 36 of the Code of Good Governance of Listed Companies of the National Securities Market Commission, the annual performance evaluation was made of the effectiveness of the operation of the 2018 Auditing Committee. It also provides the recommendation that at least every three years, the Board of Directors will be assisted in making the evaluation by an external consultant. In this regard, the evaluation of the year 2015 was made with the help of the external advisor (KPMG) and this time the Appointments and Remunerations Committee proposed the external advisor Deloitte in a meeting held on 22 October 2018.

In accordance with the result of said evaluation, the Audit and Compliance Committee concluded that in general, the operation of said Committee is satisfactory and that it carries out the functions entrusted to it correctly.

Additionally, the start of the process and methodology for evaluating the operation of the Audit and Compliance Committee for the year 2019, which was carried out with the help of the external advisor Gómez Acebo & Pombo and whose results were presented to this Committee in the January 2020 session, was approved by the Board of Directors. The evaluation concludes that the functioning of the Committee is satisfactory and that it carries out the functions entrusted to it correctly.

The Endesa Board of Directors decided that the evaluation of the 2019 financial year should be repeated with the help of the external advisor for a constant commitment to the development of corporate governance, international best practices and the new Technical Guide 1/2019 on Appointments and Remunerations Committees of the National Securities Market Commission that includes a section on the evaluation of the Board of Directors and its specialised commissions, which develops the minimum aspects that the evaluation must contain.

## **7. INFORMATION ON THE COMMITTEE'S OPINION ON THE INDEPENDENCE OF THE ACCOUNTS AUDITOR**

The Report of the Endesa Audit and Compliance Committee on the independence of the auditor was approved in a session held on 25 February 2019 and states that the additional services provided by Ernst & Young, S.L. and the network with which it operates to Endesa, S.A. and the Companies of its Group do not, to the best of their knowledge, compromise the independence of the auditing company.

## **8. MONITORING OF PRACTICAL GUIDELINES**

Endesa's Audit and Compliance Committee bases its action on the applicable legislation in force, on the Articles of Association, the Regulations of the Board of Directors, the Regulations of the Audit and Compliance Committee itself, the Code of Good Governance of listed Companies and in the Technical Guide 3/2017 of the National Securities Market Commission on audit committees in entities of public interest.

In addition to the publication on 27 June 2017 of the Technical Guide on audit committees of entities of public interest by the National Securities Market Commission, the Endesa Audit and Compliance Committee was informed on 24 July 2017 of the importance of the Guide approved by the National Securities Market Commission and the monitoring by Endesa of most of its postulates. The Committee considered that the Guide should be understood as a possibility of improvement and a concrete proposal was made on the measures to be taken to follow the recommendations of the Guide. To the date of this report, Endesa has implemented all the necessary actions to follow up on the criteria and recommendations established in the Guide.

## **9. CONCLUSIONS**

The Activities Report of the Audit and Compliance Committee for FY2019 is intended to allow shareholders and other interested parties to understand the functions and work done, and aims to be faithful to the criteria of Technical Guide 3/2017 on audit committees of entities of public interest of the National Securities Market Commission.

## **10. DATE OF DRAWING UP OF THE REPORT BY THE AUDIT COMMITTEE AND DATE OF APPROVAL BY THE BOARD OF DIRECTORS.**

This report is drawn up by the Audit and Compliance Committee for approval by the Endesa Board of Directors on 27 January 2020 and will be published on the company's website for the Ordinary General Shareholders' Meeting.

**Annex I**  
**INDIVIDUALISED ASSISTANCE TO THE BOARD OF DIRECTORS AND ITS COMMITTEES 2019**

| <b>BOARD OF DIRECTORS</b>                       |                                |                        |                             |
|---|--------------------------------|------------------------|-----------------------------|
| <b>Directors</b>                                | <b>Attendance</b>              | <b>Delegations (1)</b> | <b>Total Attendance (1)</b> |
| Borja Prado Eulate                              | 3/3                            | (1) -                  | 3/3                         |
| Juan Sánchez-Calero Guilarte                    | 10/10                          | (1) -                  | 10/10                       |
| Francesco Starace                               | 12/13                          | 1/1                    | 13/13                       |
| José D. Bogas Gálvez                            | 13/13                          | (1) -                  | 13/13                       |
| Alberto de Paoli                                | 9/13                           | 4/4                    | 13/13                       |
| Miquel Roca Junyent                             | 12/13                          | 1/1                    | 13/13                       |
| Alejandro Echevarría Busquet                    | 12/13                          | 1/1                    | 13/13                       |
| Enrico Viale                                    | 6/7                            | 0/1                    | 6/7                         |
| Helena Revoredo Delvecchio                      | 10/13                          | 3/3                    | 13/13                       |
| Ignacio Garralda Ruíz de Velasco                | 13/13                          | (1) -                  | 13/13                       |
| Francisco de Lacerda                            | 13/13                          | (1) -                  | 13/13                       |
| Maria Patrizia Grieco                           | 13/13                          | (1) -                  | 13/13                       |
| Antonio Cammisecra                              | 5/6                            | 1/1                    | 6/6                         |
|   |                                |                        |                             |
| <b>AUDIT AND COMPLIANCE COMMITTEE</b>           |                                |                        |                             |
| <b>Directors</b>                                | <b>Face-to-face Attendance</b> | <b>Delegations (1)</b> | <b>Total Attendance (1)</b> |
| Alberto de Paoli                                | 7/13                           | 0/6                    | 7/13                        |
| Miquel Roca Junyent                             | 13/13                          | (1) -                  | 13/13                       |
| Alejandro Echevarría Busquet                    | 9/13                           | 1/4                    | 10/13                       |
| Helena Revoredo Delvecchio                      | 7/13                           | 5/6                    | 12/13                       |
| Ignacio Garralda Ruíz de Velasco                | 13/13                          | (1) -                  | 13/13                       |
| Francisco de Lacerda                            | 13/13                          | (1) -                  | 13/13                       |
|   |                                |                        |                             |
| <b>APPOINTMENTS AND REMUNERATIONS COMMITTEE</b> |                                |                        |                             |
| <b>Directors</b>                                | <b>Face-to-face Attendance</b> | <b>Delegations (1)</b> | <b>Total Attendance (1)</b> |
| Alberto de Paoli                                | 6/10                           | 0/4                    | 6/10                        |
| Miquel Roca Junyent                             | 10/10                          | (1) -                  | 10/10                       |
| Alejandro Echevarría Busquet                    | 8/10                           | 1/2                    | 9/10                        |
| Helena Revoredo Delvecchio                      | 7/10                           | 3/3                    | 10/10                       |
| Ignacio Garralda Ruíz de Velasco                | 10/10                          | (1) -                  | 10/10                       |
| Francisco de Lacerda                            | 10/10                          | (1) -                  | 10/10                       |

(1) In calculating Total Attendance at the meetings of the Board of Directors and its Committees, the criterion of Circular 7/2015, of the National Securities Market Commission, was used, which establishes the annual corporate governance report models of listed public limited companies, which considers representations made with specific instructions as attendances.

**B) ENDESA, S.A. AUDIT AND COMPLIANCE  
COMMITTEE REPORT ON THE  
INDEPENDENCE OF THE STATUTORY  
AUDITOR OR AUDIT FIRMS**



**REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE OF  
ENDESA, S.A. ON THE INDEPENDENCE OF THE ACCOUNTS  
AUDITOR**

**24 February 2020**



## **REPORT OF THE AUDIT AND COMPLIANCE COMMITTEE OF ENDESA, S.A. ON THE INDEPENDENCE OF THE ACCOUNTS AUDITOR**

### **Reasons**

In accordance with Article 529-quaterdecies, section 4.f), of the consolidated text of the Spanish Capital Companies Act, with Technical Guide 3/2017 of the National Securities Market Commission (CNMV) on Audit Commissions for Entities of Public Interest; with Article 15.4 of the Regulations of the Audit and Compliance Committee of Endesa, S.A., and with the Policy of Provision of Services Other than Auditing and Relations with the Accounts Auditor of Endesa, S.A., approved on 23 July 2018, the Committee, prior to the issuing of the Audit Report, issues this report expressing the opinion on whether the independence of the Auditor of the Company and its Consolidated Group, during the year 2019, has been compromised.

This report shall, among other things, include a grounded assessment of each of the additional services referred to in the preceding paragraph, considered individually and as a whole, apart from the legally required audit and in relation to the requirements for independence or regulations governing statutory auditing of accounts.

In accordance with the Code of Good Governance for listed companies, this report will be published on the company's website on the occasion of the Ordinary General Meeting of Shareholders.

### **The Audit and Compliance Committee of Endesa, S.A., in order to express its opinion on the independence of the Auditor in the year 2019, has considered:**

#### **1. Relations with the Accounts Auditor.**

The Audit and Compliance Committee of Endesa, S.A. has established appropriate relations with the Accounts Auditor so as to receive information on such issues as might jeopardise their independence, in order to examine it, and any other issues related to the Accounts Audit, as well as those other communications provided for in the legislation on Accounts Audit and in the auditing standards and practices.

In accordance with recommendation 42.2 d) of the Code of Good Governance for listed companies, with Article 33 of the Regulations of the Board of Directors, and with Article 3.1 of the Policy for the Provision of Services Other than Auditing and Relations with the Accounts Auditor of Endesa, S.A., the Audit and Compliance Committee of Endesa, S.A. maintains an objective, professional and continuous relationship with the Auditor of the company, respects the independence of the Auditor, and provides all the information necessary for the carrying out of the Auditor's tasks.

In accordance with the aforementioned policy, the Audit and Compliance Committee of Endesa, S.A. must evaluate and supervise the independence and objectivity of the Accounts Auditor, Ernst & Young, S.L., establish appropriate relations with that company so as to receive information on such issues as might pose a threat to its independence, and not impair the effectiveness with which it performs the audit, all in accordance with the Regulations of the Audit and Compliance Committee of Endesa, S.A. and with corporate governance best practices.

To this end, Ernst & Young, S.L. appears in different sessions of the Audit and Compliance Committee of Endesa, S.A. in order to provide information about the following points:

- Audit of Consolidated Annual Accounts of Endesa S.A. and Subsidiaries, drawn up in accordance with the International Financial Reporting Standards adopted by the European Union.
- Audit of Endesa S.A.'s Individual Annual Accounts, drawn up in accordance with the General Accounting Plan approved in Spain.
- Agreed Procedures on the information relating to the Internal Control Over Financial Reporting (ICFR).
- Limited Review of Endesa S.A.'s Individual Financial Information, drawn up in accordance with the National Chart of Accounts approved in Spain, and Limited Review of the Interim Consolidated Financial Statements of Endesa S.A. and Subsidiaries as of 30 June, drawn up in accordance with the International Financial Reporting Standards adopted by the European Union.
- Additional Report for the Endesa S.A. Audit and Compliance Committee, explaining the results of the performed audit.
- Independent Verification Report of the Non-Financial Information Statement of ENDESA, S.A. and Dependent Companies corresponding to the financial year ending 31 December 2019.

At these meetings the Auditor of Accounts did not provide information regarding any circumstance that could have put his independence at risk.

The Partner responsible for Ernst & Young S.L. further confirmed to the Endesa S.A. Audit and Compliance Committee that the Company's employees fully cooperated, providing the auditor's team with all the information required to carry out their work.

In accordance with best Corporate Governance practices and under the Regulations of the Endesa Board of Directors, the Board of Directors will meet, at least, once a year with the Account Auditor to receive information on the work performed and on the evolution of the Group's accounting and its risk situation.

In 2019, Ernst & Young S.L. appeared at a session of the Company's Board of Directors to report on:

- (i) the audit services to be developed in fiscal year 2019. The auditors explained the audit services for the year, as well as other professional services provided and the conditions of the assignments;
- (ii) the Audit Plan for fiscal year 2019 (calendar setting out the main scheduled activities, audit strategy and planning, significant risks, internal control and good governance and key audit and accounting matters);
- (iii) the procedures to be performed on the Internal Control over Financial Reporting (ICFR);
- (iv) the activities carried out in 2019. They detailed the main activities of the 2019 Audit Plan and the key auditing and accounting issues (provision for

the supply of electricity to passive workers, deterioration of coal thermal power plants in the peninsula, deterioration of other non-financial assets, useful lives of nuclear power plants, social bonus, revenue recognition, use of estimates and judgements, regulatory developments, monitoring of the agreement on voluntary measures in the suspension of contracts, financial instruments, changes in accounting policies, related parties, purchases of companies and businesses and the evaluation of information systems);

- (v) the general principles of the structure and content of the audit report for the 2019 financial year and the Additional Report to be submitted to the Audit and Compliance Committee, as well as the key audit issues that may be included in the audit report for the 2019 financial year, in the consolidated statement (impairment of value of non-financial assets, recognition of income from sales of electricity and gas supplied and not billed, provisions for litigation, compensation and other legal and contractual obligations, provisions for pensions and similar obligations and provisions for plans of staff restructuring), the individual statement (deterioration of the value of investments in Group companies and long-term associates; provisions for pensions and similar obligations and provisions for staff restructuring plans) and aspects related to internal control ( segregation of functions in information systems).

## **2. Auditor's declaration of independence.**

In accordance with Article 529 quaterdecies, Section 4 (e) of the Capital Companies Act, prior to the issue of this Report, the Endesa S.A Audit and Compliance Committee has received a written communication from the Ernst & Young statutory auditor in which it states that it has complied with the requirements of independence that are applicable, thus confirming its independence from Endesa S.A. AND directly or indirectly linked entities, as well as detailed and individualised information on all additional services provided and the corresponding fees received, thus confirming their independence from Endesa S.A. or directly or indirectly linked entities, which states the following:

- The team in charge of the Audit Commission and the Audit Company, with all applicable extensions, have complied with the independence requirements established in the applicable regulations governing accounts auditing activity in Spain.
- Ernst & Young S.L. has implemented internal policies and procedures designed to provide reasonable assurance that the Audit Company and its personnel, and, where appropriate, other persons subject to independence requirements (including network firm personnel) maintain independence where so required by applicable regulations. These procedures include those aimed at identifying and assessing threats that may arise from circumstances related to audited entities, including those that may be grounds for incompatibility and/or those that may require the application of the necessary safeguard measures to reduce threats to an acceptably low level.

In Ernst & Young S.L.'s professional judgement and in relation to the aforesaid audit, no circumstances have been identified which individually or as a whole could pose a significant threat to their independence, which might require the application of safeguard measures or that could be deemed to be causes of incompatibility.

Pursuant to current regulations, Ernst & Young has also detailed the fees billed for the services provided to Endesa S.A. and the companies of its Group for the 2019 financial year. See Annex I

### **3. Auditing fees and services provided.**

- Pursuant to current legislation and with the authorisation procedure established by the Policy for the Provision of Non-Auditing Services or which relate to the Endesa Account Auditor, the Endesa S.A. Audit and Compliance Committee has, prior to formalisation, authorised contracts for the provision of non-auditing services between Endesa S.A. or the companies of its Group and Ernst & Young S.L or any member of its network, after individual and global analysis of threats to independence that could have been derived from said contracts, including the fee limit established by this policy.

The Policy for the Provision of Non-Auditing Services or which relate to the Endesa Account Auditor establishes that the total fees received by the Company's Auditor for non-auditing services shall not exceed 70% of the total annual fees paid for the audit of the accounts of the Company and its dependent companies and, where applicable, the Company's individual and consolidated semi-annual financial statements.

Services other than the mandatory audits and the semi-annual individual and consolidated financial statements required under European Union or Spanish law have not been included in the fee limit.

- The auditor has also been required to provide a Certificate of Independence for each of the additional services to be provided, prior to its approval by the Endesa S.A. Audit and Compliance Committee, in which the auditor confirms that, to the best of his knowledge, the services comply with the corresponding independence regulations.
- The Audit and Compliance Committee shall also ensure that the remuneration of the auditor for work completed does not compromise his quality or independence, verifying the limits on the concentration of the auditor's business.

[In this regard, it should be noted that the services provided by Ernst & Young S.L. and its network to Endesa S.A. and its group companies in 2019 were less than 15% of the net amount of Ernst & Young S.L.'s turnover as per its annual accounts for the financial year ending 30 June 2019.]

- Finally, the Endesa S.A. Audit and Compliance Committee analysed the variations in the Auditor's total remuneration.

Ernst & Young, has provided the following services to Endesa S.A. and its group companies in 2019:

| Thousands of Euros<br>Services provided   | 2019 fees    |                   | 2018 fees    |                   |
|---|--------------|-------------------|--------------|-------------------|
|   | Company      | Linked businesses | Company      | Linked businesses |
| <b>Account auditing services</b>  | <b>1,145</b> | <b>1,066</b>      | <b>1,128</b> | <b>1,028</b>      |
| <b>Other non-auditing services</b>  |              |                   |              |                   |
| - Agreed procedure reports  | 848          | 74                | 1,142        | 144               |
| - Agreed procedure reports on the information related to the Internal Control over Financial Reporting (ICFR) | 49           | -                 | 49           | -                 |
| - Other Related Services  | -            | -                 | -            | -                 |
| <b>Limited review of interim financial statement reports</b>  | <b>366</b>   | <b>47</b>         | <b>366</b>   | <b>47</b>         |
| • <b>Total Auditing, related and limited review services</b>  | <b>2,408</b> | <b>1,187</b>      | <b>2,685</b> | <b>1,219</b>      |
| Fiscal services   | -            | -                 | -            | -                 |
| Other services  | 10           | -                 | -            | -                 |
| • <b>Total fees</b>   | <b>2,418</b> | <b>1,187</b>      | <b>2,685</b> | <b>1,219</b>      |

The total fees received by the auditor of the Company accounts in 2019 amounted to 3,605,000 euros (3,904,000 euros in 2018), of which 2,211,000 euros correspond to legal auditing services. 413,000 euros corresponds to Limited Reviews of the Interim Financial Statements and 937,000 euros correspond to services other than the auditing of accounts and limited review reports and represent 35.72% of the total annual fees paid for the auditing services by the Company and its dependent companies. They therefore do not exceed the annual limit of 70% established by the internal regulations of the Company. 44,000 euros correspond to other non-auditing services regarding the accounts and the individual and consolidated Interim Financial Statements which European Union and Spanish law require the auditor to perform. These services therefore do not count in the annual fee limit of 70%.

The detail of these fees is outlined below:

I. Account auditing services:

The fees for audit services in the year 2019 amount to 2,211,000 euros in 2019 (2,156,000 euros in 2018) and include the audit of Endesa S.A.'s Financial, Individual and Consolidated Statements, corresponding to the financial year ending on December 31, 2019, as well as those of Endesa's subsidiaries.

II. Limited reviews:

The fees for these services amount to 413,000 euros in 2019 (413,000 euros in 2018) and include the Limited Review of Endesa S.A.'s Individual Financial Statements of Endesa, SA and the Consolidated Financial Statements of the Company's intermediaries and subsidiaries corresponding to the semi-annual period ending on June 30, 2019.

### III. Other non-auditing services:

The fees corresponding to the provision of Other Services Related to the Audit totalled 971,000 euros in 2019 (1,335,000 euros in 2018) and are broken down as follows:

- Reports of agreed procedures on regulatory, contractual, statutory or other requirements.
- Report of agreed procedures on the information related to the Internal Control over Financial Reporting (ICFR).
- Other related services.

In many cases, these contracts correspond to services similar to auditing that, on occasion, partially complement or serve the work of the audit activity and that, due to business knowledge and to avoid duplication of work and costs, are they entrust the Auditor of Accounts itself to the extent that they do not represent any conflict of interest.

In the 2019 financial year, the Audit and Compliance Committee approved and notified the Board of Directors of the provision of additional services by the auditing firm, with their respective budgets, in sessions on 28 January 2019, 25 February 2019, 11 March 2019, 17 June 2019, 22 July 2019, 27 September 2019 and 16 December 2019.

### IV. Other non-auditing services:

In fiscal year 2019 the auditor has provided other non-auditing training support services to a total amount of 10,000 euros. In 2019, the auditor did not provide fiscal services, nor other non-auditing services.

## **4. Permanence and rotation of the Auditor.**

### I. Permanence of the auditor.

- The Statutory Auditor Act no. 22/2015 of 20 July 2015 states that listed companies will designate a legal auditor or auditing company for an initial assignment, the minimum duration of which may not be less than three years, a period that may be renewed for maximum periods of three years and with a maximum total duration of ten years. This period can only be extended up to a maximum of four more years, provided that it is contracted simultaneously with other auditors or auditing firms.
- Since 2011, Endesa S.A. and for successive periods of three years, has hired Ernst & Young S.L. for the legal audit services of Endesa S.A.'s annual accounts and the consolidated annual accounts of Endesa S.A. and its subsidiaries.

In this regard, at a session on 19 December 2016, the Endesa S.A. Audit and Compliance Committee presented the recommendation that the Board of Directors re-elect the legal auditor Ernst & Young S.L. to examine Endesa S.A.'s individual and consolidated annual accounts for the period 2017-2019, a recommendation that was approved at the Ordinary General Meeting of Shareholders on 26 April 2017.

The renewal for these three additional years did not exceed the maximum limit of ten years provided for in the applicable regulations.

On 17 December 2018, the Board of Directors resolved to submit a proposal to the 2019 General Shareholders' Meeting to appoint KPMG Auditores S.L. as auditor of Endesa S.A.'s separate and consolidated financial statements, as well as the limited review of the half-yearly financial statements for the 2020-2022 period, in accordance with the recommendation made by the Audit and Compliance Committee. This agreement was communicated to the market through a relevant fact sent to the National Securities Market Commission (CNMV) on 17 December 2018.

The Endesa S.A. Annual General Shareholders' Meeting held on 12 April 2019 appointed KPMG Auditores S.L. as the new statutory auditor for the individual and consolidated financial statements of Endesa S.A. for 2020, 2021 and 2022.

## II. Rotation of the main auditors responsible for the account auditing work.

With regard to the rotation of the main auditors responsible for the account auditing work, the current regulations establish that, after five years have elapsed since the initial contract, the rotation of the principal auditor will be mandatory. A three-year period must then pass before this person can participate again in the audit of the corresponding entity.

For the Partner of Ernst & Young S.L. responsible for Endesa S.A.'s audit of individual and consolidated annual accounts, 2019 was the second year as a signatory partner of Endesa S.A.'s individual and consolidated annual accounts.

### **Conclusion.**

The Endesa Audit and Compliance Committee Report on auditor independence as approved at a session held on 25 February 2019. It states that the additional services provided by Ernst & Young S.L. and the network with which Endesa S.A. and its group companies operate do not, to the best of their knowledge, compromise the independence of the auditing company.

**C) REPORT ON OPERATIONS LINKED TO  
SIGNIFICANT SHAREHOLDERS AND  
DIRECTORS, BY THE AUDIT AND  
COMPLIANCE COMMITTEE TO THE  
BOARD OF DIRECTORS, IN FINANCIAL  
YEAR 2019**





REPORT ON OPERATIONS LINKED TO SIGNIFICANT  
SHAREHOLDERS AND DIRECTORS, BY THE AUDIT AND  
COMPLIANCE COMMITTEE TO THE BOARD OF DIRECTORS, IN  
FINANCIAL YEAR 2019

## **CONTENTS**

- I. Background
- II. Regulatory framework
  - A. Capital Companies Act
  - B. Endesa Linked Operations Regulations
- III. Information on operations related to Directors, reported by the Audit Committee to the Board of Directors, in FY2019
- IV. Information on operations related to significant shareholders, reported by the Audit Committee to the Board of Directors, in FY2019
  - A. Operations related to the Endesa Group business
  - B. Operations related to business support activities: provision of different intra group services
  - C. Intra group financing operations
  - D. Other operations
- V. Conclusions

In accordance with recommendation 6 of the Code of Good Governance of Listed Companies, the Endesa Audit and Compliance Committee prepared this Report on related operations reported to the Board of Directors of ENDESA in FY2019, for the purpose of its publication on the Company website for the Ordinary General Shareholders' Meeting 2020.

## **I. Background:**

The Endesa Group's membership of the Enel Group allows, among other things, the generation of synergies, the coordination of best practices and the application of scale economies that especially affect:

- the area of goods and services purchases;
- the corporate services area;
- Information Systems and Telecommunications technologies;
- and the activities of generation, distribution and commercialisation of electric energy, mainly: research, development, engineering, execution, commissioning and operation and maintenance of facilities as well as the acquisition and sale of raw materials on global markets.

For information purposes, all companies comprising the ENEL Group and not included in ENDESA's Consolidated Financial Statements were considered significant shareholders in this Report.

The most relevant operations of ENDESA with the significant shareholder of the Company essentially consist of:

- operations related to the ENDESA Group business: purchases of goods, raw materials and services
- operations related to management support activities (provision of different intra group services) and
- intra group financial operations.

## **II. Regulatory framework**

### **A. Capital Companies Act**

Articles 228 and 229 of the Capital Companies Act regulate situations of conflict of interest of the Directors, forcing the affected Director to refrain from participating in the deliberation and voting of agreements or decisions in which they or a related person have a direct or indirect conflict of interest. Agreements or decisions that affect them as an administrator, such as their appointment or revocation for positions in the administrative body or others of similar significance, shall be excluded from the previous abstention obligation; likewise, the director must take the necessary measures to avoid incurring situations in which their interests, whether of their own account or of others', may come into conflict with the social interest and with their duties towards the company.

In particular, it establishes article 529(3) of the Capital Companies Act, which the Board of Directors of the listed company must approve after the report from the Audit Committee on the operations that the company or companies of its group carry out with directors or with shareholders, individually or in concert with others, of a significant participation, including shareholders represented on the board of directors of the company or of other companies that are part of the same group or with persons linked to them. Directors affected or representing or linked to the affected shareholders shall refrain from participating in the deliberation and voting

of the agreement in question. Only operations that simultaneously meet the following three characteristics will be exempted from this approval:

1. That they are carried out under contracts whose conditions are standardised and applied in mass to a large number of clients,
2. That they are carried out at prices or tariffs generally established by those who act as suppliers of the good or service in question, and
3. That their amount does not exceed one percent of the company's annual income.

## **B. Endesa Linked Operations Regulations**

The purpose of the Linked Operations Regulations is to regulate the procedure of approval by the Board of Directors, applicable to those operations that Endesa or any of the Endesa Group companies carry out with the Endesa Directors, with the significant shareholders of Endesa or with the people linked to any of them, all within the scope of the Capital Companies Act.

The operations subject to these Regulations are those that involve a transfer of resources, services or obligations by the Directors, the significant shareholders of Endesa or persons linked to any of them, with Endesa or with any of the companies of the Endesa Group, regardless of whether or not a payment is involved, all within the scope of the Capital Companies Act.

### Procedure to follow for operations related to directors:

- Previous request for approval of the operation: The directors of Endesa must ask the Board of Directors, through the Secretary General and of the Board of Directors, to approve the operations that they or their associated persons intend to carry out with Endesa or with any of the companies of the Endesa Group prior to their formalisation
- Approval of the operation by the Board of Directors: The Audit and Compliance Committee will analyse the operation and issue a report, and may for this purpose, through the Secretary General and the Board of Directors, request all additional information and external advice it deems appropriate.

The report of the Audit and Compliance Committee will be submitted to the Board of Directors to resolve appropriately in relation to the authorisation of the operation.

- Obligation to refrain from participating in the decision-making process: The directors who are to carry out the operation or linked to the person who is going to carry it out or who, for any other reason, are affected by a conflict of interest, must refrain from participating in the deliberation and voting of the agreement in question, so that the independence of the directors who approve the related transaction with respect to the directors affected by the latter is guaranteed.

### Procedure to follow for operations related to significant shareholders:

- Previous request for approval of the operation: The senior managers of the Endesa Group must ask the Board of Directors, through the Secretary General and the Board of Directors, to approve the operations that Endesa or any company of the Endesa Group intends to carry out with significant shareholders or their associated persons. Likewise, Senior Managers must inform the General Manager for Administration, Finance and Control of Endesa of said request.

- Approval of the operation by the Board of Directors: The Audit and Compliance Committee will analyse the operation and issue a report, and may for this purpose, through the Secretary General and the Board of Directors, request all additional information and external advice it deems appropriate.

The report of the Audit and Compliance Committee will be submitted to the Board of Directors to resolve appropriately in relation to the authorisation of the operation.

- Obligation to refrain from participating in the decision-making process: The director who in turn is the significant shareholder affected or is linked to them, and the directors who have been appointed at the request of said significant shareholder or who, for any other reason, are affected by a conflict of interest, must refrain from participating in the deliberation and voting of the agreement in question.

Both the Capital Companies Act and the Endesa Related Operations Regulations, of a substantive nature in terms of the approval procedure for linked operations and in terms of the issuance of this Report, must be understood without prejudice to the obligations of transparency and breakdown established in the accounting regulations and in Order EHA/3050/2004 of 15 September, on the information of the related operations that must be provided by the companies issuing securities admitted to trading in official secondary markets, as well as in the regulatory regulations of the Annual Corporate Governance Report and the regulations on market abuse, which could lead to non-equivalent situations.

### **III. Information on operations related to directors, reported by the Audit Committee to the Board of Directors, in FY2019**

The main significant operations of the ENDESA Group in 2019 with directors of the company, are detailed below.

- Ms. Helena Revoredo Delvecchio is Chairman of Prosegur, and has been an independent director of Endesa since 4 November 2014.

Ms. Helena Revoredo Delvecchio develops her functions as an independent director of ENDESA S.A. without prejudice to the possible commercial relationship between the Prosegur and ENDESA Groups.

In this regard, in FY2019 the Prosegur Group formalised the following contracts with the Endesa Group, which were awarded by the Endesa Board of Directors, following a report from the Audit and Compliance Committee, based on the results of the corresponding tender processes, and without the participation of the director Ms. Revoredo, in accordance with the applicable legislation on conflicts of interest:

- ✓ Extension of the services awarded in September 2016, for the period November 2016 to October 2019, in relation to the Operations and Technical Integration and Coordination Services, Centre for Territorial Security and Supervision Management to the company Prosegur Soluciones Integrales de Seguridad España, S.L., for €0.56 million and temporary extension until 16 December 2019, when a further awarding of Endesa's security services (Operation of the control centres, supervision, territorial supervision, supervision of CGS and Reporting) to Prosegur was approved for €5.87 million for a period of three years from December 2019.

- ✓ Ratification of the contracts signed between Endesa Energía French Branch and two companies belonging to the Prosegur Group, Prosegur Technologie SAS and Prosegur Sécurité Humaine SAS, for the installation of video surveillance equipment in vehicular natural gas plants in France and the operation of surveillance systems, for €37,400.94 incurred in 2017 and €23,587.67 in 2018 and €37,929.93 in 2019. The operating contracts will be automatically extended in 2020 for €6,576/year.
- ✓ Ratification of the contracts signed between Endesa Comercialização de Energia and Prosegur for the installation and operation of the alarm system in the Matosinhos office (Porto), for a total €7,405.83, of which €3,509.19 correspond to materials and installation and €3,896.64 to the operation for a period of 3 years.

Additionally, during the 2019 financial year, the Prosegur Group formalised the following operation with the Ascó-Vandellós II Nuclear Association (ANAV), an economic interest group constituted by Endesa Generación 85.6% and Iberdrola Generación 14.4%, for the operation and management of the Ascó 1, Ascó 2 and Vandellós II Nuclear Power Plants:

- ✓ Contract for the supply, installation and commissioning of the necessary security equipment for surveillance, detection and access control of the new civil guard barracks site at the site of the Vandellós II Nuclear Power Plant in Prosegur, to be carried out in 2019 and for a maximum value of €118,226.66, of which €85,123.19 correspond to Endesa, according to its participation in Vandellós II.

In any case, for all operations the following should be noted: the ordinary nature of the services; that services are provided under market conditions, as evidenced by external reports issued for this purpose; and that, in accordance with the international criteria of good corporate governance practices, the amount is not significant or material, since these amounts are much less than 1% of the revenue or turnover of both companies.

Finally, Ms. Helena Revoredo ceased in her duties as a company director on 15 January 2020.

#### **IV. Information on operations related to significant shareholders, reported by the Audit Committee to the Board of Directors, in FY2019**

The main significant operations of the ENDESA Group authorised in 2019 with companies of the ENEL Group are detailed below.

Operations between companies of the Endesa Group and companies that make up the ENEL Group are considered related operations, since Enel S.p.A. indirectly owns 70.10% of the share capital of Endesa S.A. and is therefore a significant shareholder.

##### **A. Operations related to the Endesa Group business:**

##### Global Trading

ENDESA comprehensively manages the commercialisation and generation businesses, covering the long or short positions in sales of electricity and the necessary commodities through the Energy Management Directorate, which meets the double objective of maximising margin and managing risk through timely coverage. In the first, ENDESA participates in the physical and financial wholesale markets to achieve a competitive cost of fuel and CO<sub>2</sub> for the operation of the generation plants in the wholesale markets. In the second, ENDESA contracts intermediation operations and hedging instruments in order to reduce the risk derived from fluctuations in the

price of certain products critical to the company's business, such as electricity, gas, coal, brent and carbon dioxide emission rights.

Endesa manages a portfolio of framework agreements with different counterparts for the formalisation of commodity supply agreements and the financial coverage of their price. Part of this operation is carried out through Enel Global Trading and Enel Produzione (Enel group companies, hereinafter "ENEL GLOBAL TRADING"). The use of ENEL GLOBAL TRADING as a single counterpart to operate in international markets implies an operational simplification and a reduction in the volume of guarantees required, contributing both to the reduction of operational and credit risk, and to the reduction of management costs.

These types of operations are homogeneous and respond to a single form of operating, in which Endesa, instead of contracting with multiple counterparts in the market, does so with only one (Enel Trade), which means significant cost savings and absence of guarantees. Additionally, these operations are intrinsically carried out at market value, since when they are performed, Endesa verifies that the value corresponds to that reflected publicly in a liquid index. In the case of physical purchases of coal and gas, offers are requested from third parties.

In any case, there is a model approved by the Board of Directors, with the favourable report of the Audit and Compliance Committee and periodically updated, which establishes the criteria, procedures and guarantees applicable to these operations.

The notional value of the operations reported by the Audit and Compliance Committee, and authorised by the Board of Directors, between Enel Trade and Endesa, in 2019 amount to a maximum of 25,228 million euro, of which operations worth 3,140.4 million euro have been executed (12.44%).

It has been verified with an external consultant that for global trading operations authorised in the year 2019, the agreed prices are market prices, as well as their terms and conditions. For this, a free price method comparable to unrelated third party offers on the same type of operations was followed.

The Audit and Compliance Committee unanimously reported favourably on these operations.

### Other Trading

The Audit and Compliance Committee reported favourably to the Board of Directors

- ✓ Modification of the expense budget associated with the Agreement of Joint Management of methane ships and LNG contracts for 2019 for an additional amount of 1.73 million euro between Enel Global Trading, S.p.A. and Endesa, S.A.
- ✓ The Renewal of the optimisation contract for the purchase and sale of physical coal between Enel Global Trading or Enel Produzione and Endesa Generación S.A.U. for 1 July 2019 to 30 June 2020, according to the model approved by the Board of Directors. The operations carried out under this authorisation shall not exceed a maximum value of 700 kt at an estimated notional value of €46 million with the current price. Each of the operations will have a maximum payment period of 6 months.
- ✓ The service provision agreement by Endesa Energía, SAU to Enel Global Trading S.p.A., for the reservation and operation of Gas Storage capacity in France, effective for 2020 to 2022, with a billing amount of one passthrough of the contracting costs and use of capabilities, and a management fee to Endesa Energía based on the cost of dedicated own resources plus a margin of 5%.

## **B. Operations related to technical and management support services: provision of different intra group services**

### Corporate services

ENEL and ENDESA, technical and corporate services are provided. With the provision of these services, the Group intends to optimise resources by centralising functions, thus achieving a more operational and cost-effective structure.

The corporate services include all those activities that give centralised support to the management of the different business units and entities of the ENDESA Group. In this regard, the Audit and Compliance Committee has informed the Board of Directors of the following linked operations:

- Extension of the contract of services provided (Operation & Maintenance, Engineering & Construction, Business Development (Commercial Office) and Staff departments) by staff of Enel Green Power España, S.L. for Enel Green Power, S.p.A., by 2020 for 5.5 million euro.
- The proposal for the renewal of technical service and management support contracts provided by Enel, S.p.A. and some of its Italian subsidiaries to Endesa, S.A. and subsidiaries for 2020, for 118.1 million euro, with the following detail:
  - ✓ Management support services provided by Enel, S.p.A. to Endesa, S.A. and its main controlled subsidiaries: 16.5 million euro.
  - ✓ Supply technical services provided by Enel Italia SrL to Endesa, S.A. and subsidiaries: 5.9 million euro.
  - ✓ ICT technical services provided by Enel Italia SrL to Enel Medios y Sistemas, S.L.: 47.70 million euro.
  - ✓ Thermal Generation Business technical services provided by Enel Global Thermal Generation SrL to Endesa Generación, S.A. and subsidiaries: 13.7 million euro.
  - ✓ Endesa-X Business technical services provided by Enel X SrL to Endesa Energía, S.A.: 10.2 million euro.
  - ✓ Distribution Business technical services provided by Enel Global Infrastructure & Networks SrL to Endesa Red, S.A. and subsidiaries: 7.2 million euro.
  - ✓ Trading Business technical services provided by Enel Global Trading, S.p.A. to Endesa, S.A.: 9.6 million euro.
  - ✓ Renewable Business technical services provided by Enel Green Power S.p.A. to Enel Green Power España S.L.: 7.3 million euro.
- The 2020 renewal of the Energy Services Business Services Contract between Endesa, S.A. and Enel Global Trading S.p.A. for 1.16 million euro, as well as the provision of the Generation Business Technical Services provided by Endesa Generación to Enel Global Thermal Generation S.p.A. for 0.13 million euro.
- Authorisation for the signing of Recharge Agreements for Personnel Secondment between Endesa or its controlled companies, with companies of the Enel Group, through which all the costs incurred of expatriate employees from the source businesses to target companies are invoiced.
- Authorisation for the extension of the insurance mandate with Enel until 30 November 2020, for it to negotiate and contract, on its own behalf and on behalf of Endesa, the global insurance policies of Endesa and all its subsidiaries 2020 for own damages, liability civil and environmental responsibility, freight and goods transport, medical plan for expatriates, cyber, medical expenses of trips abroad, fully comprehensive construction and Directors &



Officers insurance risks. The contracting of global policies by Enel S.p.A., where Endesa is assured, allows synergies to be obtained in the insurance market.

It has been verified with independent third parties that the price and terms and conditions of the contracts for each of the operations in this section, are market prices and terms.

### **C. Intra group financing operations**

Financial operations are always carried out with Enel taking into account the social interest of Endesa, in accordance with the competitive analysis of the market, and in their performance both the Regulations of Linked Operations and additional control procedures approved by the Audit and Compliance Committee on 22 October 2018 are applied.

The various intra-group financial operations or services include all activities aimed at financing and providing liquidity for the different business units and entities of the ENDESA Group.

On 6 May 2019, the expiration of the current credit line between Endesa S.A. and Enel Finance International NV was changed from June 2019 to June 2022 for €1,000 million, maintaining the current conditions.

It has been verified with an independent third party that the price, terms and conditions of the contract are market prices and terms.

### **D. Other operations**

#### Technical and Engineering Services

- Contracting of Enel Produzione S.p.A. for the provision of engineering services in environmental adaptation and water treatment projects carried out by Endesa Generación, Unión Eléctrica de Canarias Generación S.A. (UNELCO) and Gas y Electricidad Generación S.A. (GESA), for a total 2.8 million euro.
- Formalisation of a contract between Enel Green Power España, S.L. (EGPE) and Enel Green Power S.p.A. (EGP) for the supply of an ABB DTE 1000/24 kV transformer, for 0.037 million euro.
- Ratification of the provision of services by the Italian Centro Elettrotecnico Sperimentale (CESI) to Endesa Distribución Eléctrica of the study conducted on the behaviour of substation building structures against the effects of fire or possible explosion, located in urban areas, for 0.96 million euro and the performance of typical tests and other specific tests on a transformer for 0.18 million euros.
- Recruitment of Enel Produzione S.p.A. for the provision of engineering services to carry out the gas transfer of the following Canary Islands plants: Granadilla, Barranco de Tirajana, Candelaria, Las Salinas, Punta Grande and Los Guinchos for 0.19 million euro.
- Modification of the contract signed in 2017 for the provision of a wind turbine vibration analysis service between Enel Green Power España S.L., as a supplier, and Enel Green Power S.p.A., as receiver, in order to add new types of existing CMS technologies to the price. The analysis of these new and current turbines would provide EGPE with an estimated extra income of around €1,100,000/year.

- Recruitment of Enel Produzione S.p.A. for the provision of engineering services in the CT de Puentes, for 3.1 million euro.
- Contract for the supply of recharging equipment for electric vehicles from Enel X to Endesa Energía for 0.115 million euro.
- Recruitment of Enel Green Power S.p.A. to carry out engineering services in the development of new renewable projects (wind/solar) for 2.9 million euro.
- Contract for logistics services provided by Endesa Generación to Enel Produzione in Carboneras and Tarragona ports. The price to be paid by EP to EG per managed ton will be a passthrough of all costs incurred by EG per ton for the same service, plus a fee of 2.47% in the case of Carboneras.
- Recruitment of Enel Green Power, Spa (EGP) to carry out engineering services for the development of the repowering projects of the Flix and Riba-Roja hydroelectric plants, for an estimated €2.93 million.
- Purchase by Enel Green Power España, S.L. from Enel Green Power S.p.A. of components corresponding to blades and gondolas of WTG V90-2MW VESTAS to be used in Project Ref Pena Ventosa, for 1.49 million euro.

#### Remote Management

- Approval of a contract, between EDISTRIBUCION Redes Digitales S.L.U. and E Global Infrastructure and Networks, S.R.L., for the supply of concentrators, diagnostic tools (ELVIS) and probes (IBRD), for a total maximum 3.4 million euro and a duration of 2 years from signing (2020-2021).

It has been verified with independent third parties that the price, terms and conditions of the contract are market prices and terms.

## **V. Conclusions:**

All the operations referred to in this Report have been approved by the Board of Directors of the Company after a favourable report from the Audit and Compliance Committee.

The Directors of Endesa affected by the conflict or appointed at the request of, or linked to, Enel did not participate in the deliberation and voting of each of the agreements in question, neither in the Audit and Compliance Committee, nor in the Board of Directors.

The directors of Endesa, have considered the compatibility of each of the operations with the social interest of the company with respect to its opportunity and its terms and conditions, also taking into account the specialities derived from Endesa's belonging to the Enel Group, from which benefits derived from the generation of synergies, coordination of best practices and obtaining scale economies in certain areas are obtained.

All related Operation requests have been accompanied by at least one independent Third Party Report on the market adaptation of service prices and, where appropriate, the legality of their main contractual conditions.

At the request of the Audit and Compliance Committee, Endesa's Internal Audit Department verifies that all related operations are examined, and, where appropriate, approved, by the Board of Directors, and that their performance occurs in the terms in which they have been approved

In addition, Deloitte, as an independent expert, has analysed the support **documentation** of the **technical and management support services provided by the Enel Group during the year 2018** and has similarly evaluated the determination of the price of these contracts from the perspective of the transfer pricing tax regulation, all before **authorising the payment of invoices related to the aforementioned services**.

**D) AUDIT AND COMPLIANCE COMMITTEE  
REPORT ON THE STATUTORY AUDIT FOR  
FINANCIAL YEAR 2019**



AUDIT AND COMPLIANCE COMMITTEE REPORT ON  
THE OUTCOME OF THE STATUTORY AUDIT FOR  
FINANCIAL YEAR 2019

## AUDIT AND COMPLIANCE COMMITTEE REPORT ON THE OUTCOME OF THE STATUTORY AUDIT FOR FINANCIAL YEAR 2019

Article 529 quaterdecies of the Corporate Enterprises Act (Ley de Sociedades de Capital) states that the Audit and Compliance Committee's duties should include informing the General Shareholders' Meeting regarding the outcome of the audit, explaining how it has contributed to the integrity of the financial information and the role that the Audit and Compliance Committee has played during this process. This power is laid out by Endesa in its Audit and Compliance Committee Regulations.

In this regard, Endesa's Audit and Compliance Committee hereby issues this Report in order to fully respond to its responsibility to inform the General Shareholders' Meeting on audit results and its contribution to the integrity of the financial information, for the purposes of its publication on the Company's website on the occasion of the General Shareholders' Meeting called to be held on 27 April 2020, under the following terms:

### STATUTORY AUDIT RESULTS FOR FINANCIAL YEAR 2019

In the opinion of the Accounts Auditor Ernst & Young, the Annual Accounts, consolidated and individual, of Endesa, S.A. express, in all significant aspects, the faithful image of the assets and financial situation of Endesa, S.A. as of 31 December 2019, as well as its results and cash flow for the year ended on that date, in accordance with International Financial Reporting Standards, adopted by the European Union (IFRS-EU), and other provisions of the regulatory framework for financial reporting that are applicable in Spain.

In this regard, at the meeting of the Audit and Compliance Committee held on 24 February 2020, the General Manager of Administration, Finance and Control presented, for reporting by the Audit and Compliance Committee, the authorisation for issue of the Annual Accounts, consolidated and individual, and the proposed distribution of profit for financial year 2019, and explained the highlights for the year and the key financial figures, the market context and Endesa's performance, financial profits and the analysis of net financial debt, as well as the analysis of Endesa's business, explaining in detail the main elements of the Annual Accounts, the management report and the proposed distribution of profit.

Similarly, the Partner of the Accounts Auditor, Ernst & Young, reported on the audit work carried out, saying that, once the accounts for financial year 2019 are authorised for issue and Endesa's System of Internal Control over Financial Reporting (ICFR) is verified, it would issue a favourable report. In particular, the auditor stated that:

- a) The audit work was carried out in accordance with the Auditing Rules applicable in Spain (ICAC), as adapted to International Auditing Standards (NIA-ES).
- b) Critical accounting policies, estimates and judgements of the Management were assessed without significant discrepancies.
- c) There were no restrictions on the availability of information.
- d) There were no conflicts of independence limiting the performance of their professional activity as auditors.
- e) No fraudulent or illegal activities were detected which may affect the true and fair view of the equity and financial position of the Annual Accounts.

- f) In accordance with Article 11 of Regulation (EU) 537/2014, a report was issued to the Audit and Compliance Committee explaining the results of the audit carried out and addressing, *inter alia*, the following:
- ✓ Nature and frequency of meetings held with the Board of Directors and the Audit and Compliance Committee.
  - ✓ Methodology of the audit at a quantitative level and materiality criteria applied.
  - ✓ Understanding of the relevant internal controls for verification that, during the audit, no significant deficiencies in the internal control system which should be reported upon were identified.
  - ✓ Assessment of the primary valuation methods applied to the different items of the annual financial statements, confirming that they conform to the corresponding regulations.

In addition, the Accounts Auditor Ernst & Young, in accordance with Article 49 of the Code of Commerce, verified, with the scope of limited assurance, the consolidated Non-financial Statements of Endesa for the year ended 31 December 2019, which is part of the Management Report, concluding that no issues arose to indicate that the consolidated Non-Financial Statement for the year 2019 were not prepared, in all material respects, in accordance with the provisions of prevailing business legislation and the criteria of the selected GRI guidelines, as well as the other criteria described according to the above section for each issue in the section "Table of contents required by Law 11/2018, dated 28 December, on non-financial and diversity information" therein.

In application of the opinion issued by the Institute of Accounting and Account Audits (ICAC) on 21 March 2018 and following the general practice in Ibex 35 companies, a single Information Statement is presented corresponding to the Consolidated Group since the Parent company is exempt from filing a Statement of Non-Financial Information.

The actions performed by the Audit and Compliance Committee for the development of the process in the financial year 2019 included, among others:

- ✓ Monitoring the preparation of financial information. In this regard, the Chief Executive Officer and the General Manager of Administration, Finance and Control certified the Company's individual and consolidated Annual Accounts as of 31 December 2019, prior to their authorisation for issue by the Board of Directors. Furthermore, the General Manager of Administration, Finance and Control presented said Financial Information, together with the individual and consolidated half-yearly interim condensed financial statements and the quarterly financial information; and finally, the Accounts Auditor, Ernst & Young, reported on the half-yearly and annual results for this year.
- ✓ Monitoring the review of Information on Endesa's System of Internal Control over Financial Reporting (ICFR), the preparation of which is the responsibility of Management, in accordance with "Guidelines for the Audit Report on Information Regarding the System of Internal Control over Financial Reporting in Listed Companies", prepared exclusively within the framework of the requirements set forth in the Corporate Enterprises Act and Circular 2/2018, of 13 June 2018, of the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores - CNMV), for the purposes of describing the System of Internal Control over Financial Reporting (ICFR) in the Annual Corporate Governance Reports.

The Audit and Compliance Committee based the oversight of the effectiveness of the System of Internal Control over Financial Reporting (ICFR) on the following reports:

- ✓ Report of the Manager of Administration, Finance and Control which, based on the internal certification process followed by the owners of the System of Internal Control over Financial Reporting (ICFR) processes and controls, concluded that the level of confidence and reliability of the System of Internal Control over Financial Reporting (ICFR) in Endesa is adequate and operated effectively during 2019 to meet the Company's control objectives. The Accounts Auditor Ernst & Young, S.L., as part of its audit procedures, successfully tested mitigating and compensatory controls that avoid the risk of segregation of duties.
- ✓ Report of the Directorate for Internal Audit, based on its analysis of the System of Internal Control over Financial Reporting (ICFR) conducted in its process audits, testing of the general IT (Information Technology) controls and the monitoring of work performed by Deloitte, S.L., concluding that the level of confidence and reliability of the System of Internal Control over Financial Reporting (ICFR) in Endesa as at the close of 2019 is adequate.
- ✓ Report of the independent expert Deloitte, S.L., covering both the testing carried out within the existing framework contract for the entire Group and the specific review requested by the Audit and Compliance Committee, on the level of confidence and reliability in the System of Internal Control over Financial Reporting (ICFR) at Endesa, in the financial year 2019. Deloitte, S.L., as a result of its work, concludes that the assessment of the operation of the Endesa Group's System of Internal Control over Financial Information (ICFR) as of 31 December 2019 was satisfactory, with no deficiencies uncovered that would affect the overall operation of said system.

In the development of powers related to statutory auditing and in order to ensure the independence of the Accounts Auditor, the Audit and Compliance Committee:

- ✓ In a meeting on 24 February 2020, prior to issuance of the Accounts Auditor's report and in accordance with Article 529 quarterdecies of the Corporate Enterprises Act, approved a report expressing an opinion on the independence of the Accounts Auditor. The aforementioned report concludes that the additional services provided by Ernst & Young, S.L. to Endesa, S.A., to the best of their knowledge and belief, do not compromise the independence of said auditing company. Similarly, the Accounts Auditor presented a letter stating its independence.
- ✓ Approved and informed the Board of Directors of the provision of additional services by the audit firm, with their respective budgets, in meetings on 28 January 2019, 11 March 2019, 17 June 2019, 22 July 2019, 27 September 2019 and 16 December 2019.

In all additional services provided by the audit firm, the Accounts Auditor is required to provide a certificate of independence for each of the additional services to be provided, prior to approval by the Audit and Compliance Committee, in which the auditor confirms that to the best of their knowledge and belief, the services comply with the corresponding independence regulations.

Likewise, in accordance with the policy for the provision of additional services, the compliance is required of the General Management for Administration, Finance and Control and the General Management for Internal Audit and General Secretariat.



- ✓ In December 2018, the Endesa Annual Accounts Auditor Selection Procedure for the period 2020-2022 was completed, with the recommendation by the Audit and Compliance Committee to the Board of Directors of two candidate firms to perform the audit. In accordance with the statutory regulations on audits, Article 5 of Regulation EU 537/2014, determining the prohibition of the future auditor or members of its network from providing certain services other than auditing to Endesa, S.A., or to Companies controlled by its Group in the year immediately preceding the audited period (financial year 2019), that is, the so-called cooling-in period. Erring on the side of caution, these limitations were applied to both the candidate firms and their networks.

That is why the Committee in January 2019 approved the procedure to be followed for new contracting of services other than auditing with the candidate firms, until 31 December 2019.

In this regard, the Committee learned and approved of the analysis of the work contracted by Endesa and the Controlled Companies of its Group in the 2019 financial year, with the two firms that were candidates to be auditors of Endesa in the period 2020-2022, in order to guarantee the compatibility of these works with the Endesa Accounts Auditing service in the financial year 2020 and reported them to the Board of Directors in its sessions of 25 February 2019, 6 May 2019, 22 July 2019 and 16 December 2019.

- ✓ It informed the Board of Directors of the extension of fees corresponding to the Auditing Services of the individual and consolidated Annual Accounts of Endesa, S.A. with the new conditions related to the entry into operation of the new economic management system (segregation of duties) and review of the information systems of Endesa migrated in 2019, which modify the basis on which the fees were determined.
- ✓ It was informed by the Accounts Auditor of the 2019 Activity Plan in which the accounts audit services are to be developed for the year 2019 explaining: other professional services provided; the calendar with the main activities scheduled; the strategy and planning of the auditing work, and the processes related to the Financial Information Internal Control System (SCIIF); significant auditing and accounting matters; the issues related to the internal control and good governance of the Company, and the general principles of the structure and content of the reports that will be presented during the year.
- ✓ Finally, to complete its supervisory work on the performance of the Accounts Auditor and their contribution to the quality of the audit and the integrity of the financial information, the Committee, in its session on 06 May 2019, issued the Final Evaluation Report about the performance of the Accounts Auditor, based on the work and opinion of the Administration, Finance and Control Department and the Auditing Department. In preparing the evaluation report, the Committee focused the assessment on the consideration of the analysis of the following parameters: frequency and quality of communications, independence of the Accounts Auditor, opinion on the Accounts Auditor of the Management, the report on the transparency of the Accounts Auditor and public results of the quality controls carried out by the supervisors and other available information.

## **II. APPOINTMENTS AND REMUNERATIONS COMMITTEE**

**A) APPOINTMENTS AND REMUNERATIONS  
COMMITTEE ACTIVITY REPORT CORRESPONDING  
TO THE FINANCIAL YEAR 2019**



**APPOINTMENTS AND REMUNERATIONS  
COMMITTEE ACTIVITY REPORT  
CORRESPONDING TO THE FINANCIAL YEAR 2019**

**27 January 2020**

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## **1. REGULATORY FRAMEWORK AND FUNCTIONS OF THE COMMITTEE**

The Endesa Appointments and Remunerations Committee was voluntarily constituted by the Board of Directors in 1998.

Law 31/2014, which modifies the Capital Companies Act for the improvement of corporate governance, for the first time introduces the obligation to establish one or two separate appointments and remunerations committees. In Endesa, it has been decided not to separate the current Appointments and Remunerations Committee into two different committees, since the composition of both would be practically identical and include five of the six independent directors of the company. Likewise, the existence of a single committee guarantees the (required and necessary between the two committees, if they are separated) in the matter of evaluation and remuneration, and does not affect independence, since the composition of the committees in the event of separation would be very similar.

The Appointments and Remunerations Committee is regulated in articles 529(3) and 529(5) of the Capital Companies Act, and accordingly, the Company has regulated, in its Articles of Association (article 53) and Regulations of the Board (article 24) the operation and powers of its Committee.

In relation to its functions, the Endesa Appointments and Remunerations Committee, as it has stated through the Remuneration Policy of the Board of Directors, seeks to attract, maintain and motivate people with the appropriate profile for the performance of the functions inherent to the position of director of a company with the characteristics and particularities of Endesa.

Thus, the Appointments and Remunerations Committee in FY2019 was entrusted with the following functions:

- A) To assess the skills, knowledge and experience needed on the Board of Directors. For such purpose, the Committee shall define the duties and skills that the candidates must have in order to cover each vacancy and shall consider the time and dedication required in order to properly perform their mandate, ensuring that, in particular, non-executive directors have enough time to properly perform their duties.
- B) To establish a representation goal for the least-represented gender on the Board of Directors and develop guidelines on how to reach such objective.
- C) To raise all proposals for the appointment of Independent Directors to the Board of Directors for their appointment by co-option or by submission to the decision of the General Shareholders' Meeting, as well as all proposals for the reappointment or removal of said directors by the General Shareholders' Meeting.
- D) To provide notification of all proposals for appointment of the remaining directors for their appointment by co-option or by submission to decision of the General Shareholders' Meeting, as well as all proposals for their reappointment

or removal by the General Shareholders' Meeting.

- E) To report on and, as the case may be, make membership proposals to the Board of Directors for each of the committees including, if any, the Executive Committee.
- F) 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.
- G) To report to the Board of Directors on organisation of the Company in accordance with the general principles established by the Board.
- H) 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.
- I) To ensure that any potential conflicts of interest do not threaten the independence of any external advising provided to the Appointments and Remuneration Committee.
- J) To assess and organise the succession of the Chairman of the Board of Directors and of the Company's Managing Director and, if applicable, make proposals to the Board of Directors for such succession to occur in a seamless and orderly fashion.
- K) 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.
- L) To verify information regarding remuneration of Directors and Senior Executives provided in various corporate documents, including the annual report on director remuneration.

## 2. COMPOSITION

The composition of the Appointments and Remunerations Committee as of 31 December 2019 is:

| Position  | Members                                       | Date of appointment       | Nature                              |
|-----------|---|---------------------------|-------------------------------------|
| Chairman  | Mr. Miquel Roca Junyent                       | 30.06.2009<br>19.09.2016* | External-Independent                |
| Director  | Mr. Alberto de Paoli                          | 04.11.2014                | External-Proprietary <sup>(1)</sup> |
| Director  | Mr. Alejandro Echevarría Busquet              | 24.07.2012                | External-Independent                |
| Director  | Ms. Helena Revoredo Delvecchio <sup>(2)</sup> | 04.11.2014                | 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                |                                     |

(1) Represents Enel.

(2) Ms. Helena Revoredo ceased in her duties as a company director on 15 January 2020. Date of appointment as Chairman of the Appointments and Remunerations Committee.

As of 31 December 2019, the Appointments and Remunerations Committee is made up of six non-executive members of the Board of Directors, five of whom (83%) are independent, and Mr. Roca is also the Coordinating Director. Additionally, a proprietary director is on the Committee, who represents the controlling shareholder Enel, which holds 70.10% of Endesa's shareholding.

The Policy for selecting of candidates for director ensures that the proposals for the appointment of directors are based on a prior analysis, among others, of the needs of the Appointments and Remunerations Committee, and favours the diversity of knowledge, experience and gender, thus expressing Endesa's commitment to a plural composition in its governing bodies.

In particular, this Policy seeks the integration of different professional and management experiences and competencies, also promoting gender and age diversity as far as possible.

- ✓ Gender: In FY2019, the percentage of women on the Committee amounts to 16.66%.
- ✓ Age: The average age of the Committee is 68 years, with ages ranging between 54 and 79 years.
- ✓ Seniority: the average time the members have been on the Committee is 5.8 years in FY2019.
- ✓ The directors on the Committee are diversely trained, but especially in the disciplines of finance and risk, specifically the economic-financial, accounting and auditing, internal control and business risk management, and legal areas. Together, the directors gather sufficient technical knowledge and experience to be able to carry out their work conveniently.
- ✓ By nationality, non-Spanish committee members account for 50%.



Endesa understands that diversity in all its forms, at every level of its professional team, is a key component to ensuring the Company's competitiveness and also plays a key role in its corporate governance strategy that ensures a critical attitude, as well as the expression of different points of view and positions and the analysis of its strengths and weaknesses.

The full profile of the members of the Appointments and Remunerations Committee can be found on the Company's website.

The generic knowledge and diversity of the members of the Committee are detailed, detailing significant capacities in terms of the knowledge and experience provided by each member:

| DIRECTORS                        | QUALITIES AND SKILLS |       |            |          |       | DIVERSITY       |             |        |     |
|----------------------------------|----------------------|-------|------------|----------|-------|-----------------|-------------|--------|-----|
|                                  | Finance and Risks    | Legal | Management | Strategy | Human | Years in office | Nationality | Gender | Age |
| Miquel Roca Junyent              | ✓                    | ✓     | ✓          | ✓        | ✓     | 10              | SP          | M      | 79  |
| Ignacio Garralda Ruíz de Velasco | ✓                    | ✓     | ✓          | ✓        |       | 4               | SP          | M      | 68  |
| Alejandro Echevarría Busquet     | ✓                    |       | ✓          | ✓        |       | 7               | SP          | M      | 77  |
| Alberto De Paoli                 | ✓                    |       | ✓          | ✓        |       | 5               | IT          | M      | 54  |
| Helena Revoredo Delvecchio       | ✓                    |       | ✓          | ✓        |       | 5               | ARG         | W      | 72  |
| Francisco de Lacerda             | ✓                    |       | ✓          | ✓        |       | 4               | PORT        | M      | 59  |

### 3. COMMITTEE OPERATION AND MEETINGS

The functioning of the Appointments and Remunerations Committee is defined in article 24 of the Regulations of the Board of Directors, which stipulates that the Committee will meet as often as its chairman summons it, when so decided by the majority of its members or at the request of the Board of Directors.

Committee meetings shall take place at the Company's registered offices or at such other location as may be determined by the chairman and stated in the meeting notice. Committee meetings shall be validly assembled when the majority of its members are in attendance, in person or by proxy.

Resolutions must be passed by a majority vote of the directors attending the meeting. In the event of a tie, the chairman or acting chairman shall have the casting vote.

The Appointments and Remunerations Committee may seek external advice, when deemed necessary for the performance of its functions and shall have the power to convene any employee or director of the company.

Finally, the Secretary of the Committee will set out minutes of the resolutions adopted, of which the Board will be informed. The minutes shall be made available to all members of the Board of Directors.

During FY2019, the Appointments and Remunerations Committee met 10 times, with an average attendance of 92% participation in the sessions held. The percentage of individualised assistance by Director in 2019 is detailed in Annex I.

Attendance at the Appointments and Remunerations Committee in FY2019 of other non-Committee members and directors, all as guests, is indicated below:

| <b>Address</b>                          | <b>Recurring</b> | <b>Sporadic</b> |
|---|------------------|-----------------|
| <i>CEO</i>                              |                  | √               |
| <i>Human Resources and Organisation</i> | √                |                 |
| <i>Tax-Legal Advice</i>                 |                  | √               |

## 4. WORKS DONE DURING THE FINANCIAL YEAR 2019

The Appointments and Remunerations Committee, through its Chairman, informed the Board of Directors of the development of each and every one of the sessions held.

The main issues dealt with by the Committee in 2019 are detailed below.

### 4.1. PROPOSED APPOINTMENTS, REELECTIONS AND SEPARATIONS

#### Senior management

The Appointments and Remunerations Committee, in 2019, informed the Board of Directors about the modification of the organisational structure, unifying the General Managements of "Renewable Energy" and "Thermal Generation", by creating the General Management for Generation, as well as the appointment of Mr. Rafael González Sánchez as General Manager for Generation.

At the proposal of the CEO, it also reported the termination by mutual agreement of the labour relationship with Mr. Alberto Fernández Torres, General Manager for Communication, and attending the selection process carried out by the Human Resources area, the hiring and appointment of Mr. Ignacio Jiménez Soler as General Manager for Communication.

## Board of Directors

The Appointments and Remunerations Committee, in the year 2019, informed the Board of Directors of the following proposals for the appointment and re-election of Directors, all of them approved by the 2019 Ordinary General Shareholders' Meeting:

- Re-election as independent director of Ms. Helena Revoredo Delvecchio.
- Re-election as independent director of Mr. Ignacio Garralda.
- Re-election as independent director of Mr. Francisco de Lacerda.
- Re-election as proprietary director of Mr. Alberto de Paoli.
- Appointment of Mr. Juan Sánchez-Calero Guilarte as independent director of the Company.

The Committee also informed the Board of Directors of the following proposals, all approved by the Board of Directors:

- Appointment of Mr. Juan Sánchez-Calero Guilarte as non-executive chairman of the company.
- Appointment by co-option as proprietary director of Mr. Antonio Cammisecra.

## 4.2. CHAIRMAN SUCCESSION PLAN

- On February 19, 2019, the Company informed the National Securities Market Commission by relevant fact, regarding the renewal of the positions of director of Endesa whose term expired at the Ordinary General Shareholders' Meeting of 12 April 2019 that, following transparency criteria, Endesa's majority shareholder, Enel Spa, the holder of 70.10% of the share capital, had informed the current members of the company's Board of Directors of its intention to propose the adaptation of the internal regulations to the limitation, for reasons of good corporate governance, of the maximum period for which a person can hold the position of Chairman of the Company. And that this modification would mean the non-proposed re-election at the next General Shareholders' Meeting of Mr. Borja Prado Eulate, after a continuous period of 10 years as Chairman of Endesa and two years previously as a member of the Board of Directors.
- In accordance with Endesa's Corporate Governance Policy, the Appointments and Remunerations Committee initiated the succession plan of the Chairman Mr. Borja Prado Eulate together with the Coordinating Director of the Company, to propose the appointment of a new Chairman to the Board of Directors, as in accordance with the preceding paragraph, Mr. Prado Eulate would cease to be so at the end of his term (12 April 2019).
- The Chairman Succession Plan was developed in accordance with the needs of the Board of Directors, particularly considering:

- The definition of a new governance model of the Board of Directors, which although it is continuous with the separation of powers between Chairman and CEO, avoiding the concentration of powers on a single person, it was considered appropriate that the post of Chairman should go to a non-executive, qualified as independent.
- The matrix of competencies for the post of non-executive Chairman, in which, in addition to the technical-professional competencies, the agenda for the renewal of independent directors and the positions already held by the directors in other companies were taken into account.

The Appointments and Remunerations Committee considered that the person who best suited these needs was Mr. Sánchez-Calero, highlighting Mr. Sánchez-Calero's strong commitment and availability, which a priori guaranteed the necessary dedication for the position of non-executive Chairman, for the effective development of his functions and for knowing the business of the company and the particular rules that govern it. Mr. Sánchez-Calero is not a member of the Board of Directors of any other listed company, which facilitates his availability and dedication for the exercise of his position.

It is worth noting the external support of PricewaterhouseCoopers, through the issued "Analysis report of the proposal for the appointment and re-election of directors - Ordinary General Shareholders' Meeting 2019" in which the necessary and desirable qualities of the Directors of Endesa were identified, in relation to the proposals for the appointment and re-election of the Ordinary General Shareholders' Meeting 2019, which included the appointment of Mr. Sánchez-Calero as Director, as well as the "Analysis report of the Remuneration Policy of the Directors of Endesa 2019- 2021."

#### **4.3. DIRECTOR WELCOME PROGRAMME AND UPDATE PLAN**

In April 2019, the Appointments and Remunerations Committee informed the Board of Directors of the update of the Director Welcome Programme, upon the incorporation of Mr. Juan Sánchez-Calero. Also in September 2019, the application of the Director Welcome Programme to Mr. Antonio Cammisecra was analysed, although the Director considered that his extensive previous experience in the Group made training unnecessary.

The Chairman of the Board of Directors, Mr. Juan Sánchez-Calero Guilarte, in May and June 2019 received 16 training modules of approximately 40 hours focused on the operation and business of the company and given by the top executives of the company.

In relation to the plan to update the knowledge of all the directors, in the year 2019 actions were taken in relation to the area of commercialisation and renewable energy; changes in the Securities Market Act in relation to the Internal Code of Conduct in the securities markets and in the emission rights markets; guided visit to the "Energy Management Control Centre" in which the daily operation of the electricity market was explained; the regulatory modification in the area of non-financial information

and other matters and on cyber security was reported; and the approval and content of National Securities Market Commission Technical Guide 1/2019 on Appointments and Remunerations Committees was reported.

#### **4.4. REMUNERATION PROPOSALS, REPORTS AND POLICIES**

The main actions regarding the Committee's remuneration, during the period covered by this report, were:

##### **Remuneration of senior management**

- In relation to the senior management, the Committee favourably reported proposals for remuneration measures in 2019 for certain members of the Executive Management Committee.

##### **Remuneration of Executive Directors.**

- ✓ Short-term variable remuneration

The Appointments and Remunerations Committee reported favourably to the Board of Directors on the proposed short-term variable remuneration of the Executive Chairman and the corresponding CEO with the evaluation of their 2018 targets and their agreement for the year 2019.

- ✓ Long-term variable remuneration

Regarding the long-term remuneration, the Committee favourably reported on the 2019-2021 Programme of the Endesa Loyalty Plan, prior to the proposal of the Board of Directors approved by the Ordinary General Shareholders' Meeting on 12 April 2016. He also reported favourably on the beneficiaries and the Regulations of said Programme.

The Committee also informed the Board of Directors of the results of the 2016-2018 Loyalty Programme.

##### **Annual Report on Endesa Director Remuneration 2018**

The Appointments and Remunerations Committee favourably reported to the Board of Directors on the Annual Report on the Remuneration of the Directors of Endesa 2018, so that it could be firmly submitted to the General Shareholders' Meeting, which approved said Report with the favourable vote of 94.9% of the shareholding.

##### **Director Remuneration Policy**

Regarding the Remuneration Policy, the Appointments and Remunerations Committee agreed to propose the Remuneration Policy of the Directors of Endesa,

S.A. for the period 2019-2021 to the Board of Directors of the Company, continuing with the Remuneration Policy of 2018-2020, to be submitted to the General Shareholders' Meeting, which approved said Policy with the favourable vote of 95.06% of the shareholding. Additionally, the Committee approved the Justification Report of the same, which aims to explain the criteria the Committee uses in proposing the Remuneration Policy of Endesa Directors to the Board.

It is worth noting the positive analysis of PricewaterhouseCoopers, through the issued "Analysis report of the Remuneration Policy of Endesa Directors 2019-2021".

### **Remuneration verification**

The Appointments and Remunerations Committee is responsible for verifying the information on the remuneration of the Directors and Senior Managers contained in the different corporate documents, including the annual report on the remuneration of the directors and annual accounts report with the collaboration of the General Directorate of Internal Audit or an external advisor.

In this regard, the Committee verified the data contained in the Annual Directors' Remuneration Report for the year 2018, with the collaboration of the General Internal Auditing Department, which examined the data, analysing the authorised amounts, those effectively received and the corresponding accounting and administrative data, and concluded that the data contained in the Report are correct; and with the participation of the General Manager for People and Organisation, who also confirmed the content of the Report and certified that the data contained are consistent with the policies and criteria approved by the Board and reflect the reality.

In relation to the 2018 Short-Term Goals of the Executive Directors, the Committee verified the proposal of meeting them, also with the collaboration of the General Internal Auditing Department, which examined said proposal and concluded that it is supported by the duly approved financial and management information of the Company corresponding to the 2018 the financial year, and that the degree of achievement has been calculated correctly.

In relation to the proposal of Results of the Loyalty Programme 2016-2018 at the end of its accrual period and awaiting settlement, the Committee verified the proposal of meeting them, also with the collaboration of the General Internal Auditing Department, which examined said proposal and concluded that the result is supported by the accounting and management information of the Company and the consultations made in Bloomberg, and that the degree of achievement has been calculated correctly.

Additionally, it should be noted that the Committee, in the next February session with the collaboration of the General Management for Internal Auditing or an external advisor, will verify whether circumstances have justified the application of the malus or claw-back clauses provided for the Executive Directors.

#### 4.5. DIRECTOR CANDIDATE SELECTION POLICY OF ENDESA, S.A. AND PROMOTION OF DIVERSITY

##### Verification of compliance with the Endesa Director Candidate Selection Policy

In accordance with recommendation 14 of the Code of Good Governance, the Appointments and Remunerations Committee verified compliance with the Directors Selection Policy in 2019.

In FY2019, the Board of Directors submitted the appointment and re-election of five Directors to the General Shareholders' Meeting, and approved a co-option appointment in September 2019.

- ✓ The appointment and re-election agreements approved at the General Shareholders' Meeting 2019 contemplated a prior analysis of the needs of the Board, both by the external advisor PricewaterhouseCoopers and by the Committee itself. They carried out an analysis of the current composition of the Board and its Committees, of their needs, of the assessment of the conditions that directors must meet for the exercise of their duties, and the dedication required to adequately perform their duties, all in accordance with the Endesa Corporate Governance Policy and the Endesa Candidate Selection Policy.
- ✓ Regarding the procedure for appointment by co-option in September 2019, the Appointments and Remunerations Committee reported favourably on the appointment of Mr. Cammisecra at the proposal of the shareholder Enel. Before issuing its report, the Committee carried out an analysis of the current composition of the Board and its Committees, of their needs, of the assessment of the conditions that directors must meet for the exercise of their duties, and the dedication required to adequately perform their duties, all in accordance with the Endesa Corporate Governance Policy and the Endesa Candidate Selection Policy.
- ✓ In general terms, the Committee considered the diversity in the Board of Directors adequate in relation to the appointments/re-elections made during the year. However, the Committee considers it necessary to keep in mind and promote diversity on an ongoing basis, and since September it has considered it necessary to initiate relevant and concrete actions in matters of gender diversity, in order to meet the objective of 30% of women on the Board in FY2020.

The current composition of the Endesa Board of Directors and the classification of its Directors is as follows:

| Directors   | Number | Percentage |
|-------------|--------|------------|
| Proprietary | 4      | 36%        |
| Independent | 6      | 55%        |
| Executive   | 1      | 9%         |
| Women       | 2      | 18%        |

The composition of the Board of Directors, in terms of number of members, structure and the professional experience and competences of its members, is now considered appropriate to the needs of the Company and in accordance with the best corporate governance practices. In this sense the following is detailed:

| DIRECTORS                        | QUALITIES AND SKILLS |             |       |            |          |     |                 | DIVERSITY       |             |        |     |
|----------------------------------|----------------------|-------------|-------|------------|----------|-----|-----------------|-----------------|-------------|--------|-----|
|                                  | Finance and Risks    | Engineering | Legal | Management | Strategy | ICT | Human Resources | Years in office | Nationality | Gender | Age |
| Juan Sanchez-Calero Guilarte     |                      |             | ✓     | ✓          | ✓        |     |                 | 1               | SP          | H      | 63  |
| Francesco Starace                | ✓                    | ✓           |       | ✓          | ✓        |     |                 | 5               | IT          | H      | 64  |
| José Bogas Gálvez                | ✓                    | ✓           |       | ✓          | ✓        |     |                 | 5               | SP          | H      | 64  |
| Alberto De Paoli                 | ✓                    |             |       | ✓          | ✓        |     |                 | 5               | IT          | H      | 54  |
| Miquel Roca Junyent              | ✓                    |             | ✓     | ✓          | ✓        |     | ✓               | 10              | SP          | H      | 79  |
| Alejandro Echevarría Busquet     | ✓                    |             |       | ✓          | ✓        |     |                 | 10              | SP          | H      | 77  |
| M <sup>re</sup> Patrizia Grieco  | ✓                    |             | ✓     | ✓          | ✓        | ✓   |                 | 2               | IT          | M      | 67  |
| Antonio Cammisecra               | ✓                    | ✓           |       | ✓          | ✓        |     |                 | 1               | IT          | H      | 49  |
| Helena Revoredo Delvecchio       | ✓                    |             |       | ✓          | ✓        |     |                 | 5               | ARG         | M      | 72  |
| Ignacio Garralda Ruíz de Velasco | ✓                    |             | ✓     | ✓          | ✓        |     |                 | 4               | SP          | H      | 68  |
| Francisco de Lacerda             | ✓                    |             |       | ✓          | ✓        |     |                 | 4               | PORT        | H      | 59  |

#### Update of the Endesa Director Candidate Selection Policy

The Policy for the Selection of Candidates for Director of Endesa was modified on 16 December 2019, in accordance with Act 11/2018 of 28 December 2018, in order to: extend the description of the Diversity Policies to the scope of the Specialised Committees of the Board, in other words, the Audit and Compliance Committee and the Appointments and Remunerations Committee, so in order to comply with this requirement, Endesa should modify its Board of Directors Diversity Policy and extend it to its Committees; and to include certain criteria indicated in Technical Guide 1/2019 on Appointments and Remunerations Committees of the National Securities Market Commission.

#### 4.6. ACTIVITY REPORT OF THE APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remunerations Committee unanimously approved its Activity Report for 2018, for the purpose of it being published on the Company's website, on the occasion of the General Shareholders' Meeting.



## **5. EVALUATION OF THE APPOINTMENTS AND REMUNERATIONS COMMITTEE AND OF THE BOARD OF DIRECTORS**

In 2019, the Committee was informed of the result of its self-evaluation in FY2018, carried out with the advice of Deloitte and with the support of the Board Secretariat and as part of the general evaluation of the Board of Directors of the Company, and showed its compliance and satisfaction with the results obtained.

Likewise, it was informed and expressed its satisfaction with the results of the evaluation process of the Board of Directors and its Committees, and informed favourably on the proposal of an action plan to correct the detected deficiencies, which was submitted for the consideration of the Board of Directors of the Company.

It also reported favourably on the verification of the independence of the external advisers who submitted an offer to carry out the evaluation of the Board of Directors and its Committees for FY2019. The committee proposed that the Board and its Committees be evaluated with the help of the external advisor Gómez Acebo & Pombo.

The result of the process of annual evaluation of the functioning of the Board and that of its 2019 Committees did not result in changes in the internal organisation of the Board of Directors or its Committees, nor in the procedures applicable to their activities.

## **6. AGENDA AND CALENDAR 2020**

In accordance with Technical Guide 1/2019 on appointments and remunerations committees approved by the National Securities Market Commission, the Committee approved its Annual Work Plan 2020.

The Annual Plan for the financial year 2020 was prepared taking into account that of the Board of Directors and the convening of the General Shareholders' Meeting 2020, in order to prepare the reports to be submitted on the matters that they will deal with.

## **7. CONCLUSIONS**

The Report on the activities of the Appointments and Remunerations Committee for FY2019 is intended to allow shareholders and other parties concerned to understand the functions and work done by the Committee, and to comply with recommendation 6 of the Code of Good Governance of listed companies, which establishes that listed companies should prepare, among other reports, the report on the operation of the appointments and remunerations committee and publish it on their website sufficiently in advance of the ordinary general shareholders' meeting, although its dissemination is not mandatory. The Report will be included in the "Integrated Report of the Audit and Compliance and Appointments and Remunerations Committees".

**8. DATE OF DRAWING UP OF THE REPORT BY THE APPOINTMENTS AND REMUNERATIONS COMMITTEE AND DATE OF APPROVAL BY THE BOARD OF DIRECTORS.**

This report is drawn up by the Appointments and Remunerations Committee for approval by the Endesa Board of Directors on 27 January 2020 and will be published on the company's website for the Ordinary General Shareholders' Meeting 2020.

## **ANNEX I**

PERSONALIZED ATTENDANCE AT BOARD AND  
COMMITTEE MEETINGS IN 2019

**Annex I**  
**INDIVIDUALISED ASSISTANCE TO THE BOARD OF DIRECTORS AND ITS COMMITTEES 2019**

| <b>BOARD OF DIRECTORS</b>                       |                                |                        |                             |
|---|--------------------------------|------------------------|-----------------------------|
| <b>Directors</b>                                | <b>Attendance</b>              | <b>Delegations (1)</b> | <b>Total Attendance (1)</b> |
| Borja Prado Eulate                              | 3/3                            | (1) -                  | 3/3                         |
| Juan Sánchez-Calero Guilarte                    | 10/10                          | (1) -                  | 10/10                       |
| Francesco Starace                               | 12/13                          | 1/1                    | 13/13                       |
| José D. Bogas Gálvez                            | 13/13                          | (1) -                  | 13/13                       |
| Alberto de Paoli                                | 9/13                           | 4/4                    | 13/13                       |
| Miquel Roca Junyent                             | 12/13                          | 1/1                    | 13/13                       |
| Alejandro Echevarría Busquet                    | 12/13                          | 1/1                    | 13/13                       |
| Enrico Viale                                    | 6/7                            | 0/1                    | 6/7                         |
| Helena Revoredo Delvecchio                      | 10/13                          | 3/3                    | 13/13                       |
| Ignacio Garralda Ruíz de Velasco                | 13/13                          | (1) -                  | 13/13                       |
| Francisco de Lacerda                            | 13/13                          | (1) -                  | 13/13                       |
| Maria Patrizia Grieco                           | 13/13                          | (1) -                  | 13/13                       |
| Antonio Cammisecra                              | 5/6                            | 1/1                    | 6/6                         |
|   |                                |                        |                             |
| <b>AUDIT AND COMPLIANCE COMMITTEE</b>           |                                |                        |                             |
| <b>Directors</b>                                | <b>Face-to-face Attendance</b> | <b>Delegations (1)</b> | <b>Total Attendance (1)</b> |
| Alberto de Paoli                                | 7/13                           | 0/6                    | 7/13                        |
| Miquel Roca Junyent                             | 13/13                          | (1) -                  | 13/13                       |
| Alejandro Echevarría Busquet                    | 9/13                           | 1/4                    | 10/13                       |
| Helena Revoredo Delvecchio                      | 7/13                           | 5/6                    | 12/13                       |
| Ignacio Garralda Ruíz de Velasco                | 13/13                          | (1) -                  | 13/13                       |
| Francisco de Lacerda                            | 13/13                          | (1) -                  | 13/13                       |
|   |                                |                        |                             |
| <b>APPOINTMENTS AND REMUNERATIONS COMMITTEE</b> |                                |                        |                             |
| <b>Directors</b>                                | <b>Face-to-face Attendance</b> | <b>Delegations (1)</b> | <b>Total Attendance (1)</b> |
| Alberto de Paoli                                | 6/10                           | 0/4                    | 6/10                        |
| Miquel Roca Junyent                             | 10/10                          | (1) -                  | 10/10                       |
| Alejandro Echevarría Busquet                    | 8/10                           | 1/2                    | 9/10                        |
| Helena Revoredo Delvecchio                      | 7/10                           | 3/3                    | 10/10                       |
| Ignacio Garralda Ruíz de Velasco                | 10/10                          | (1) -                  | 10/10                       |
| Francisco de Lacerda                            | 10/10                          |                        | 10/10                       |

(1) In calculating Total Attendance at the meetings of the Board of Directors and its Committees, the criterion of Circular 7/2015, of the National Securities Market Commission, was used, which establishes the annual corporate governance report models of listed public limited companies, which considers representations made with specific instructions as attendances.