ENDESA Director Compensation Policy for 2021-2023

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1. Regulatory framework governing the Compensation Policy

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

This Director Compensation Policy of Endesa shall remain in force from the date of its approval until, as the case may be, the end of the maximum three-year period.

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

Endesa's Director Compensation Policy is in line with the compensation scheme provided for in the Company's Bylaws.

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

2. General principles of the compensation policy

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

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

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

Fixed compensation amounts and allowances for Directors, in their condition as such, as well as compensation of the Executive Directors are approved by the Board of Directors, at the proposal of the Appointments and Compensation Committee, and are subject to the obligation of transparency.
Endesa's compensation policy is largely in line with the recommendations of national and international corporate governance regulations and seeks to:

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

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

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

- Establish compensation based on objective criteria related to individual performance and achievement of the Company's business objectives.

- Ensure a compensation structure that guarantees an adequate mix between fixed compensation, ordinary variable compensation and long-term variable compensation.

- Ensure that variable compensation components are linked to the achievement of specific and measurable objectives that are in line with the Company's interests and are consistent with its situation and strategy, taking into consideration their impact on the Company's sustainable and long-term performance.

- Ensure that variable compensation components incorporate malus and clawback arrangements authorizing non-payment by the Company or the right to request reimbursement of such components if the payment amount was not in line with actual performance or if it is subsequently determined that payments were based on data that was clearly erroneous.

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

3. Compensation System Applicable to Directors in their Condition as Directors

As regards compensation payable to the Executive Directors for performance of their executive duties (other than those duties carried out in their condition as directors), those compensation items generally applied by listed companies to compensate their Senior Management shall be applied.
In this regard, Article 40 of the Corporate Bylaws states that compensation applicable by virtue of membership on the Board of Directors shall be compatible with all other compensation, indemnities, contributions to social welfare schemes or any other professional or labour compensation items to which the Directors may be entitled by way of any other executive or advisory duties they may perform for the Company which are different from the supervisory and collective decision-making duties inherent in their position as Directors, which shall be subject to all legally applicable requirements.

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

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

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

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

### 3.1. Fixed compensation

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

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

The annual fixed compensation of the CEO amounts to €960 thousand gross.

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

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

The variable compensation established for Executive Directors will be covered by clauses enabling the deferment of payments until effective attainment of targets can be verified, and are also subject to clawback arrangements. In any case, the Appointments and Compensation Committee shall verify, on an annual basis and in accordance with the Procedures approved by said Committee for such purpose, whether any circumstances exist that would justify a proposal to the Board of Directors for the application of such arrangements.

3.2.1. Short-term variable compensation

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

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

- Economic-financial: EBITDA (gross operating profit), Cash-Cost (fixed operating costs and maintenance investments), FFO (funds from operations, cash-flows before dividends, gross investments and extraordinary transactions), regulated business margin, trade margin, integrated business margin, OPEX (fixed operating expenses), Net debt, CAPEX (capital expenses), optimization of commercial processes or client portfolio growth.

- Non-financial: Safety and injury rate reduction, availability of production plants, efficiency indicators, service quality, business line efficiency and specific projects.

- Corporate governance and corporate social responsibility targets – for example, reducing Endesa's CO2 emissions – as well as those linked to the individual performance of Directors may also be established.

Each target will be weighted based on its relative importance. Achievement levels are established for each target based on their level of demand, including a minimum performance threshold below which no right to incentive payment shall arise, a target level set at 100% and a maximum level, up to 120%, for surpassing objectives.
The target values for the Chief Executive Officer's short-term variable compensation rose to €567 thousand.

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

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

### 3.2.2. Long-term variable compensation

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

Executive Directors may not transfer any Company shares received as part of the long-term variable compensation plans referred to in this section until at least three years have elapsed from their allocation.

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

The long-term variable compensation targets are aimed at contributing to the business strategy, interests and long-term sustainability of the Company and are in line with creating shareholder value. These targets are measured in reference to, *inter alia,* Endesa's share price, TSR (Total Shareholders Return), ROACE (Return on Average Capital Employed) and other indicators, in particular, those related to the environment and sustainability, including net installed capacity for renewable energy sources and the reduction of CO₂ emissions.

The plans provide for deferred payment and require that the Director be active at the time payment is made (unless the director is retiring or leaving the company due to termination of a fixed-term contract, in which case the director may collect on the plans completed as at the date of removal, although payment will be deferred until the applicable date, even if the director is not active at that time); these payments are made in two installments: 30% of the incentive, if applicable, in the year after the plan ends, and the remaining 70%, if applicable, in the second year after termination of the plan.
The Board of Directors shall, at the proposal of the Appointments and Compensation Committee, be in charge of establishing objectives and verifying if said objectives have been met:

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

The incentive base value for the CEO is €518 thousand.

### 3.2.3. Ex-post control of variable compensation

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

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

In this regard, the Company has a procedure for verification of malus and claw-back clauses, which was approved by the Appointments and Compensation Committee, and by means of which the Appointments and Compensation Committee verifies, with the support of Endesa’s Internal Audit Department, whether circumstances exist that justify the application of the malus or claw-back clauses applicable to the executive Directors and, as the case may be, proposes the relevant measures to recover the applicable amounts.
3.3. Revision of Executive Director compensation

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

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

3.4. Long-term savings schemes

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

Retirement:

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

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

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

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

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

Death:

Regarding the coverage of disability and death, Endesa has signed a life and accident insurance policy which guarantees certain capital and/or income depending on the contingency in question.
Coverage of disability or death and of retirement are exclusive benefits, i.e. in the event of death or disability prior to effective retirement, the director, in the case of disability, or their beneficiaries, in the case of death, shall receive the benefits specified for such events, without this representing any right to receive retirement benefits.

### 3.5. Other compensation

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

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

### 3.6. Main terms and conditions of Executive Director contracts

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

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

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

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

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

The contract signed with the Chief Executive Officer does not provide for compensation for dismissal from office.
Notwithstanding the foregoing, when the Chief Executive Officer resigns, their previous relationship – his senior management contract, suspended since his appointment as CEO – will be automatically terminated, in which case, through the termination of his executive management relationship, Mr. Bogas will be entitled to receive a net amount of €6,527 thousand, this sum being the result of reducing the gross severance payment consolidated by the amount of withholdings on account of personal income tax and, where appropriate, the Social Security contributions applicable on the date of payment.

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

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

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

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

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

3.7. Addition of new Executive Directors

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

If one of the Company’s senior executives is appointed as an executive director, their senior management contract shall be suspended and they shall execute a new contract as an Executive Director. If any such director resigns their position, the prior relationship may be resumed.
If new Executive Directors are appointed, their maximum compensation shall be established by the Board of Directors, at the proposal of the Appointments and Compensation Committee. However, the limit on the fixed and variable compensation established in the previous sections for the CEO will be applicable to the Board of Directors. Moreover, his/her compensation package may include participation in long-term savings schemes and other compensation items in line with those established for the Company's senior officers.

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

Notwithstanding the above, in accordance with best corporate governance practices, when new Senior Management joins the Company or its Group, a maximum limit of two years of total annual compensation shall be established for payments for termination of contracts, including amounts not already paid out under long-term savings systems as well as amounts paid under post-contractual non-competition agreements, which shall also apply under the same terms to the contracts with executive Directors.

4. Compensation System Applicable to Directors in their Condition as Directors

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

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

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

   a) Fixed monthly compensation.

   b) Allowances for attending each meeting of the governing bodies of the Company and their committees.

The Board of Directors itself, at the proposal of the Appointments and Compensation Committee, shall be in charge of determining the exact amount to be paid in each fiscal year, subject to the limit set by the General Shareholders' Meeting, as well as allocating such amount between the directors, in the manner, time and proportion as freely determined, considering the positions, functions and internal responsibilities and of institutional representation entrusted to each Director, their membership in Board Committees and all other relevant objective circumstances.
In this regard, positions of the Board of Directors that should receive special compensation are: Non-executive Chairman; Coordinating Director, and Chairman or member of the various Board committees.

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

- **Members of the Board of Directors:**
  - Monthly fixed compensation of Euros 15,642.56 (gross).
  - Allowances for attending each meeting of the governing bodies of the Company and their committees, of Euros 1,502.23 (gross).

- **In addition to the compensation indicated for members of the Board of Directors and in exercise of the powers to distribute the maximum amount of compensation of directors as such approved by the General Meeting, the following criteria for compensation shall be applicable in they are effectively appointed to these positions:**
  - **Non-executive Chairman of the Board of Directors:** shall receive monthly fixed compensation of Euros 50,000 (gross) (rather than the monthly fixed compensation of Euros 15,642.56 (gross) provided for other members). In light of the non-executive Chairman’s duties of institutional representation in the performance of his position, the non-executive Chairman will also be provided a chauffeur-driven car and medical insurance, under the same terms as the CEO.
  - **Chairman of the Audit and Compliance Committee:** shall receive a monthly fixed compensation of Euros 3,000 (gross) (in addition to the monthly fixed compensation as member).
  - **Chairmen of the Appointments and Compensation Committee and the Sustainability and Governance Committee:** shall receive a monthly fixed compensation of Euros 2,000 (gross) (in addition to the monthly fixed compensation as member).
  - **Coordinating Director:** shall receive a monthly fixed compensation of Euros 2,083 (gross) (in addition to the monthly fixed compensation as member).

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

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

In accordance with Article 40 of Endesa's Bylaws, maximum overall annual compensation for the Directors in their condition as such shall be as established by the General Shareholders' Meeting and shall remain in force until such time as an amendment thereto is resolved.

In this regard, the maximum annual compensation to be paid to directors in the form of attendance allowances, fixed monthly compensation, for membership of the Board of Directors, for overseeing its committees and for performing the duties of coordinating director will total 4,000,000 euros, or any other amount that is subsequently approved by the General Shareholders' Meeting. The criteria for the payout of said amount shall take into account the duties and responsibilities attributed to each Director, whether the Director is a member of any Board Committees as well as any other objective circumstances deemed relevant.

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

- Fixed compensation, as specified in section 3.1 hereof and updated, as the case may be, in the Annual Report on Director Compensation.

- Short-term variable compensation, qualitatively described in section 3.2.1 hereof, which also specifies the target levels and values to be attained by the Executive Directors. Said compensation is established for each fiscal year, using the relevant indicators and the performance results as reported in the Annual Report on Director Compensation.

- Long-term variable compensation approved, as the case may be, by the General Shareholders' Meeting, qualitatively described in section 3.2.2. hereof, which also specifies the target levels and values to be attained by the Executive Directors. Said compensation is established for each fiscal year, using the relevant indicators and the performance results as reported in the Annual Report on Director Compensation.

- Long-term savings systems, as described in section 3.4. hereof, supplemented by the annual contributions specified in the Annual Report on Director Compensation.

- Other compensation, as described in section 3.5. hereof, with specific annual compensation being detailed in the Annual Report on Director Compensation.

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

The Appointments and Compensation Committee shall verify, on an annual basis, that the Compensation Policy is enforced and that the compensation effective paid to each Director complies with the Policy.
6. **Compensation Policy term**

The Company shall apply this Director Compensation Policy from the date of its approval for a maximum period of three years (2021-2023), as the case may be.

Any amendment or substitution of the Director Compensation Policy for 2021-2023 during said term shall require the prior approval of the General Shareholders' Meeting in accordance with current laws in force.

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