



Seeding Energies

Report on the proposal for reappointment
of Alberto de Paoli



endesa

Report formulated by the Board of Directors of Endesa, S.A, for the purposes set forth in article 529 decies of the Corporate Enterprises Act, in relation to the proposal for re-election of Board Member Alberto De Paoli as Proprietary Director of the Company

1. Purpose of the Report

In accordance with article 529 decies of the Corporate Enterprises Act, the Board of Directors of Endesa, S.A. ("**Endesa**" or the "**Company**") formulates this justifying Report, which accompanies the proposal for re-election, item 11 of the agenda, of Alberto De Paoli, as the Company's proprietary Director.

This Report assesses the competence, experience and merits of the proposed candidate, which will be attached to the minutes of the General Meeting and/or of the Board.

Article 529 decies LSC:

The members of the Board of Directors of a listed company shall be appointed by the General Shareholders' Meeting or, in the event of an early vacancy, by the Board by co-optation.

The proposal for the appointment or re-election of the members of the board of directors corresponds to the appointments and remuneration committee in the case of independent directors, and to the board in other cases.

The proposal for appointment or re-election must be accompanied, in any case, by a justifying report from the Board assessing the competence, experience and merits of the proposed candidate, which will be attached to the minutes of the general meeting or of the board.

The proposal for the appointment or re-election of any non-independent director must also be preceded by a report from the Appointments and Remuneration Committee.

2. Introduction

The mandate of proprietary Director Mr De Paoli, initially appointed on 4 November 2014 by co-optation, and ratified at the General Shareholders' Meeting held on 27 April 2015, for four years, expires this year (2019). This re-election as Proprietary Director is proposed in accordance with the Corporate Enterprises Act, which allows directors to be re-elected for office once or several times, for periods of the same maximum duration, and article 11 of the Regulations of the Board of Directors of Endesa, which provides that directors shall hold office for a period of four years, and may be re-elected for periods of equal duration.

3. Justification of the proposal

The Board of Directors submits this re-election to the General Shareholders' Meeting at the proposal of the controlling shareholder, Enel, SpA, following a report from the Appointments and Remuneration Committee, taking into account the content of the External PricewaterhouseCoopers Advisor Report and after analysing the current composition of the Board and its needs, the assessment of the conditions that directors must meet for the exercise of their positions, and the dedication required to adequately perform their duties, all in accordance with Endesa's Corporate Governance Policy and Endesa's Candidate Selection Policy.

In particular, the Board of Directors endorses the conclusions and arguments of the Report of the Appointments and Remuneration Committee and, in this regard, has assessed the advisability of re-electing Mr De Paoli as Proprietary Director for the following reasons:

- Size of the Board: At present, the structure, with respect to the number of directors of Endesa's Board of Directors, complies with all the recommendations of the good governance code of listed companies (the "CBG") and with the standards of international best practices. It is advisable to maintain this number for social interest.

Endesa's Board of Directors consists of 11 members, which is the size required to obtain effective and participative operations and is in line with recommendation 13 of the CBG, which advises between five and fifteen members.

It should also be noted that it is within the parameters of the Ibex 35 companies, whose average is 12.9 directors. The most common size is 10 and 13 members, each number being repeated in six companies¹.

Therefore, at this time, the number of members of the Board of Endesa is considered suitable.

- Structure of the Board: Proprietary and independent directors, in accordance with recommendation 15 of the CBG, constitute the majority of the Board of Directors and the number of executive directors would be reduced to the necessary minimum.

The percentage of proprietary directors of the total non-executive directors should not be greater than the proportion between Company capital represented by those directors and the rest of the capital, in accordance with CBG recommendation 16.

The internal corporate rules and the Corporate Governance Policy of Endesa as a whole have been configured to ensure the balance of the interests of all the shareholders, with particular attention to minority shareholders, and ensure equal treatment for all shareholders that have the same conditions and for that purpose, the number of independent Directors is greater than the number of Proprietary Directors appointed at the request of the majority shareholder.

Additionally, with this proposal for re-election and the other proposals submitted to the General Shareholders' Meeting, the percentage of Proprietary Directors will remain at 36% and that of independents will rise to 54%, representing more than half of the members of the Administration Body, thereby reinforcing the independence of the highest governing body, in line with the most demanding good governance practices at international level. The weight of both categories of Directors continues to ensure a suitable functioning of the management body, and in any case is in accordance with the best international corporate governance practices and enables the implementation of a Board structure model that protects the minority shareholder.

Therefore, at this time, with this proposal and the others that are submitted to the General Shareholders' Meeting, the structure of the Board of Endesa is considered appropriate.

¹ Source: Corporate Governance Report of the issuers of securities admitted to trading in official secondary markets published by the National Securities Market Commission in relation to 2017.

- With this proposal, the Board of Directors of Endesa attends to the diversity of capacities, knowledge, experiences, origins, nationalities, age and gender necessary for the best performance of the functions entrusted to it.
- Mr De Paoli is a person of recognised prestige, who has the appropriate professional experience and knowledge to exercise the role of Director of Endesa and who has assumed a high commitment of dedication in the years he has held the position of Director with a very positive contribution to the functioning of the Board. Mr De Paoli meets all the requirements established in the Law and in the corporate regulations of Endesa to be re-elected Director.
- The professional profile of Mr De Paoli, with extensive professional experience, in the economic and financial area, occupying positions of high responsibility, complexity and competence in the field of business strategy, is adapted to the needs of the Board and the Committees.
- At an academic level, he graduated with honours in Economics from the University of La Sapienza, in Rome.
- At the Enel Group, he has held the positions of Chief Financial Officer of Enel Green Power and General Strategy Director of Enel.
- He is currently General Manager of Administration, Finance and Control at Enel, and Chairman of Enel Green Power, S.p.A.

For the purposes of completing this information, the curriculum vitae of Mr Alberto De Paoli is attached to this report.

4. Conclusion

As a result of the aforementioned and taking into account the favourable prior report issued for this purpose by the Appointments and Remuneration Committee, the Board of Directors of Endesa has unanimously concluded that Mr Alberto De Paoli has the competence, experience and merits necessary to propose his re-election as proprietary Director to the Ordinary General Shareholders' Meeting of the Company, for the statutory period of four years.

The Appointments and Remuneration Committee has received the external advice of the PricewaterhouseCoopers expert, which concludes in its "Report on the analysis of the proposal for appointment and re-election of directors" that, with respect to the Directors proposed for re-election, the profiles ensure that the evolution in the capabilities of the Board of Directors is maintained, supporting the continuous alignment of its composition with the defined qualities and that, given that all the Directors proposed for Re-election have had a positive assessment in the Evaluation Report regarding their performance, PricewaterhouseCoopers sees no impediment for said directors to be considered suitable to be re-elected as Company directors.

5. Proposal for an agreement submitted to the General Shareholders' Meeting

Reappointment of Alberto de Paoli as Proprietary Director of the Company.

Reappoint Alberto de Paoli as Director of the Company, on a report by the Appointments and Remuneration Committee, for the four-year term of office provided for in the Bylaws.

In accordance with article 529 duodecies of the Corporate Enterprises Act, the Director is considered a Proprietary Director.

The report on this proposal together with a biographical sketch on Mr. De Paoli is available to shareholders on the Company's website.

ALBERTO DE PAOLI

Born in 1965, he holds a degree in Economics from the University of La Sapienza, Rome (graduated with honours).

Professional Experience

General Manager of Strategy of ENEL (2012-2014); Financial Director of Enel Green Power (April 2008 to April 2012). Head of Strategies, M&A and Business Development of Tiscali (March 2006 to March 2008). He formed part of Wind Telecomunicazioni (from 1997 to February 2006): Executive Advisor to the Chairman (2005 and 2006); Financial Director (2004); Head of Planning and Control (2002 and 2003); Head of Strategic Planning (2000 and 2001); and Start-up Manager and Network Controller (from 1997 to 1999). He began his professional career at Telecom Italia as Area Manager (1993 and 1994) and as Head of Operational Planning and Service Contracts (1995 and 1996).

Current position

General Manager - Administration, Finance and Control of ENEL
Chairman of Enel Green Power, S.p.A.