



Seeding Energies

**Report on the proposal for reappointment
of Francisco de Lacerda**



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 Francisco de Lacerda as Independent 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 10 of the agenda, of Francisco de Lacerda, as the Company's independent 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 term of independent Director Mr de Lacerda, initially appointed on 27 April 2015 for four years, ends this year (2019). He is re-elected as an independent Director in accordance with the Corporate Enterprises Act, which allows such condition to be maintained for a continuous period of up to 12 years.

3. Justification of the proposal

The Board of Directors submits this re-election to the General Shareholders' Meeting, at the proposal of the Appointments and Remuneration Committee, in accordance with the provisions of article 529 decies, section 4 of the Corporate Enterprise Act and article 9 of the Regulations of the Board of Directors, taking into account the content of the External PricewaterhouseCoopers Advisor Report and after analysing the current composition of the Board and its Committees, of their needs, of the assessment of the conditions that directors must meet to exercise their charges, and the dedication required to adequately perform their duties, all in accordance with Endesa's Corporate Governance Policy and the Candidate Selection Policy for Directors of Endesa.

In particular, the Board of Directors endorses the conclusions and arguments of the Proposal of the Appointments and Remuneration Committee and, in this regard, has assessed the advisability of re-electing Mr De Paoli as Independent 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 Ibx 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 appointment 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.

- Mr de Lacerda 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

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.

Board. Mr de Lacerda meets all the requirements established in the Law and in the corporate regulations of Endesa to be re-elected as Independent Director.

- The professional profile of Mr de Lacerda, with extensive professional experience in the financial and service sectors, occupying positions of high responsibility, complexity and competence in the field of business strategy, is adapted to the needs of the Board.
- Academically, holds a degree in Business Administration and Management from the Catholic University of Portugal.
- Currently, he is the Chief Executive Officer of CTT - Portugal Post Office and Chairman of Banco CTT.

In this regard, it should be noted that these positions have not generated any conflict of interest with Endesa or its Group companies. Pursuant to article 529 duodecies LSC, the Director has not held a significant business relationship with the Company or any company of its Group during his term of office, either in his own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship; additionally, Mr de Lacerda has not received any significant amount or benefit from Endesa, or the companies of its Group, for any concept other than director remuneration, which could have breached his status as an independent director of Endesa.

For the purposes of completing this information, the curriculum vitae of Mr Francisco de Lacerda is attached to this report.

4. Conclusion

As a result of the aforementioned, and therefore taking into account the proposal of the Appointments and Remuneration Committee, the Board of Directors of Endesa has unanimously concluded that Mr Francisco de Lacerda has the competence, experience and merits necessary to propose his re-election as independent 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 Francisco de Lacerda as Independent Director of the Company, on a proposal by the Appointments and Remuneration Committee.

Reappoint Francisco de Lacerda as Director of the Company, on a proposal 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 an Independent Director.

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

FRANCISCO DE LACERDA

Born in 1960. He holds a degree in Business Administration and Management from the Catholic University of Portugal (1982).

Professional Experience

CEO of Cimpor - Cementos de Portugal (2010-2012), Independent Director of EDP Renováveis (2008-2012); Executive Director of Millennium BCP (2000-2008); Deputy CEO of Bank Millennium, Poland (2001-2003); responsible for several banks in Central and Eastern Europe (2001-2007) and Investment Banking in Portugal (2006-2007); CEO of Banco Mello (1993-2000).

Current position

Chief Executive Officer of CTT - Portugal Post Office
Chairman of Banco CTT

Other Boards of Directors

Chairman of CTT Expresso
Chairman of Tourline Express

Other activities

Member of the Grupo Português de la Comisión Trilateral
Member of the Management of Cotec Portugal
Director of the Fundación Portuguesa de Comunicación
Vice-Comodoro and Member of the General Board of the Naval Club of Cascais