



Seeding Energies

Board Committee Integrated
Report for fiscal year 2018



endesa



**BOARD COMMITTEE INTEGRATED
REPORT FOR FISCAL YEAR 2018**

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I. AUDIT AND COMPLIANCE COMMITTEE

**A) AUDIT AND COMPLIANCE COMMITTEE
REPORT FOR 2018**



**AUDIT AND COMPLIANCE COMMITTEE REPORT
FOR 2018**

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1. REGULATORY FRAMEWORK

Endesa's Audit and Compliance Committee was voluntarily established by the Board of Directors in 1998 to comply with the Olivencia Code.

In 2002, Law 44/2002, on measures to reform the financial system, added to Act 24/1988, regulating the Securities Market, making it mandatory for companies that issue securities whose shares or obligations are admitted to trading on official secondary securities markets to have an Audit Committee.

Since 2010, the legal regime of the Audit Committees has been reinforced through Spain's Corporate Enterprises Act which has successively incorporated good governance practices and principles.

In June 2017, the Spanish National Securities Market Commission (CNMV) approved the "Technical Guide 3/2017 on Audit Committees of Public-Interest Entities", among others, in response to the Audit Law that entrusts overseeing the functions attributed to the Audit Committees to the CNMV.

It should also be noted that Endesa's Audit and Compliance Committee has its own regulations, which regulate its functions, organisation and operation, in accordance with the Law, Bylaws, the Regulations of the Board of Directors and the Technical Guide of the CNMV.

2. COMPOSITION

At present, the composition of the Audit and Compliance Committee is as follows:

Position	Members	Date of appointment	Position
Chairman	Ignacio Garralda Ruíz de Velasco	07.05.2015 19.09.2016 *	External-Independent
Director	Alejandro Echevarría Busquet	20.07.2009	External-Independent
Director	Alberto de Paoli	04.11.2014	External-Proprietary ⁽¹⁾
Director	Helena Revoredo Delvecchio	04.11.2014	External-Independent
Director	Francisco de Lacerda	07.05.2015	External-Independent
Director	Miquel Roca Junyent	30.06.2009	External-Independent
Secretary	Borja Acha Besga	01.08.2015	

⁽¹⁾ Represents Enel

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

The Audit and Compliance Committee comprises six non-executive members of the Board of Directors, five of which (83%) are independent. The Committee also has a proprietary Director, representing the controlling shareholder Enel, which owns 70.10% of Endesa's shareholding.

The policy for selecting candidates for the office of director ensures that the proposed appointments of directors are based on a prior analysis. among others, of the requirements of the Board, the Audit and Compliance Committee, and favours diversity of knowledge, experience and gender, which is a reflection of Endesa's commitment to a plural composition in its governance bodies.

Specifically, this Policy seeks the integration of different management and professional skills and experience (including those that are specific to the businesses performed by the Company, such as economic-financial, accounting and audit, internal control, business risk management and legal), also promoting, insofar as possible, diversity of age and gender.

- Gender: In 2018, the percentage of women on the Committee rose to 16.66%.
- Age: The average age on the Committee is 67, with ages ranging from 53 to 78.
- Time of service: in 2018, the average time of service of the Committee members was 5.3 years.
- The formation of directors in the Committee is diverse, and focuses on the disciplines of finance and risks, in particular areas, economic-financial, accounting and auditing, internal control and business risk management, and legal. As a group, the Directors have sufficient technical knowledge and experience to be able to carry out their work properly.
- By nationality, non-Spanish Committee members represent 50%.

Endesa is convinced that diversity, in all its facets and at all levels of its professional team, is an essential factor to ensure the Company's competitiveness and a key component of its corporate governance strategy that not only encourages critical stances, but also the expression of diverse viewpoints and positions and the analysis of their positive and negative characteristics.

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	Engineering	Legal	Management	Strategy	Years holding position	Nationality	Gender	Age
Ignacio Garralda Ruíz de Velasco	✓		✓	✓	✓	3	SPA	M	67
Alejandro Echevarría Busquet	✓			✓	✓	9	SPA	M	76
Alberto De Paoli	✓			✓	✓	4	ITA	M	53
Helena Revoredo Delvecchio	✓			✓	✓	4	ARG	F	71
Francisco de Lacerda	✓			✓	✓	3	POR T	M	58
Miquel Roca Junyent	✓		✓	✓	✓	9	SPA	M	78

3. COMPETENCIES OF THE COMMITTEE AND CHANGES TO ITS REGULATION

The main function of the Audit and Compliance Committee is to advise the Board of Directors and supervise and control the creation and presentation of financial and non-financial information, the independence of the auditor and the efficiency of internal risk control and management systems, in addition to informing the Board of Directors of operations with related parties.

In any case, the Board of Directors may attribute any other powers not reserved by the Law, the Bylaws or the Regulations of the Board of Directors to other bodies to the Audit and Compliance Committee.

As a result of the CNMV's approval of the "Technical Guide 3/2017 on Audit Committees at public-interest entities", the Regulations of the Audit and Compliance Committee were amended in December 2017.

4. COMMITTEE OPERATION AND MEETINGS

The Audit and Compliance Committee establishes an annual work programme that includes specific objectives in relation to each of its functions, and an annual meetings schedule, taking into account the time required by each of the different functions and the meetings schedule of the Board of Directors.

The Audit and Compliance Committee will meet in accordance with the annual meetings schedule, whenever it is convened by its Chairman, when decided by a majority of its members, or at the request of the Board of Directors or the Coordinating Director, with a minimum of four annual meetings and at least on the date of publication of annual or interim financial information.

The Secretary, at the request of the Committee Chairman, will channel and provide the necessary information and documentation to the other Committee members sufficiently in advance so that they can analyse it prior to their meetings.

In 2018, the Audit and Compliance Committee met eleven times, with an average attendance of 88% in the sessions held.

See Annex I: The individual attendance by Director in 2018

The Chairman of the Audit and Compliance Committee, through the Secretary, may request any of the members of the Board of Directors to join the meetings when he considers it appropriate, and in any case, the internal auditor may be present on the date of publication of annual or interim financial information and, if any type of review report is issued, the auditor may also be present during those points of the agenda to which they are invited. At least part of these meetings with the internal auditor or the auditor will take place without the presence of the company's management, so that the specific issues arising from the reviews that are carried out can be discussed exclusively with them.

2018 Interventions in the Audit and Compliance Committee:

Management	Recurring	One-off
<i>Administration, Finance and Control</i>	√	
<i>Internal Audit</i>	√	
<i>Secretary General and Secretary of the Board</i>	√	
<i>External auditor</i>		√
<i>Chief Executive Officer</i>		√
<i>Chairman of the Board of Directors</i>		√
<i>Directors</i>		√
<i>Tax Advice</i>		√
<i>General Divisions</i>		√

5. WORK CARRIED OUT IN 2018

The Audit and Compliance Committee, through its Chairman, informed the Board of Directors of the development of each of the sessions held. Below are the main aspects analysed by the Committee in 2018:

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

a) Annual Reports and Individual and Consolidated Management Report for the year ended 31 December 2017.

In a meeting held of 26 February 2018, the Audit and Compliance Committee, with the participation of the General Manager of Administration, Finance and Control, analysed the Individual and Consolidated Annual Accounts and Management Reports for the year ended 31 December 2017, prior to the formulation thereof by the Board of Directors.

Exercising its supervisory function in relation to its mandatory report of the annual accounts, the Committee has taken into account:

- The accreditation of the independence of the external auditor, as stated in that session.
- The report presented by the auditor and specifically the final results of the audit process.
- The effectiveness of the Internal Control over Financial Reporting System, accredited by the reports submitted by the Internal Control Unit, the General Internal Audit Department and an independent expert (Deloitte), as well as by the external auditor.
- The accounting and financial explanations and arguments presented to the Committee by the Company's General Economic and Financial Manager.

Likewise, the representatives of the external auditor Ernst & Young, S.L. presented the audit work carried out and issued a favourable report for the Annual Accounts and Individual and Consolidated Management Reports for the year ended 31 December 2017.

Furthermore, the external auditor, in accordance with article 36 of the Audit Law, presented and explained the content of the additional report for the Audit and Compliance Committee, which explains the following issues: Compliance with independence requirements; Nature, frequency and scope of the communication with the Board of Directors, Audit and Compliance Committee and the Management; Methodology and qualitative level of applied relative importance; Obtaining knowledge about relevant internal control to design suitable audit procedures, confirming that no significant shortfalls have been identified that need 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; and Collaboration of Endesa employees and executives in the performance of all the audit work.

Finally, the Endesa, S.A. Annual General Shareholders' Meeting, held on 23 April 2018, approved the Consolidated Annual Accounts and Consolidated Management Report of Endesa, S.A. and Subsidiaries corresponding to the year ended on 31 December 2017, as well as the Annual Accounts and Management Report of Endesa, S.A. corresponding to the year ended on 31 December 2017.

b) Six-Month Interim Condensed Consolidated Financial Statements and Quarterly Consolidated Financial Information

During the period covered by this activity report, the Committee analysed, prior to its presentation to the Board, and with the support of the General Manager of Administration, Finance and Control, the interim statements of the first and third quarter of 2018 and the six-month financial report corresponding to the first half of 2018.

The Audit and Compliance Committee reported favourably on the Consolidated Financial Statements corresponding to the aforementioned interim statement and six-month report.

In a meeting held on 23 July 2018, the representatives of the external auditor, Ernst & Young, S.L., informed the Audit and Compliance Committee about the work performed in relation to the six-month results.

c) Internal Control Over Financial Reporting System

The Audit and Compliance Committee is tasked with overseeing the Company's financial information, among others.

In this regard, in a meeting held on 29 January 2018, the Manager of Administration, Finance and Control presented the general guidelines for the operation of Endesa's Internal Control over Financial Reporting (ICFR) System to provide the Audit and Compliance Committee with all of the available information to suitably supervise its effectiveness, in accordance with the CNMV Technical Guide.

In 2018, the Audit and Compliance Committee oversaw:

- ✓ In a meeting held on 26 February 2018, the 2017 Internal Control Over Financial Reporting System, based on the Reports issued by the Internal Control Unit of the Administration, Finance and Control Department, the Internal Audit Department, and an independent expert, the Deloitte firm, who prepared three reports that accredit the proper functioning and effectiveness of Endesa's Internal Control Over Financial Reporting System.
- ✓ In a meeting held on 23 July 2018, the Internal Control over Financial Reporting for the first half of 2018, based on the Reports issued by the Internal Control Unit of the Administration, Finance and Control Department and by Endesa's Internal Audit Unit, which conclude that the level of confidence and reliability of the ICFR in Endesa is adequate and that it has operated effectively in the first half of 2018.

The Committee also approved hiring Deloitte to prepare a report on the trust and reliability of the 2018 Internal Control Over Financial Reporting System to support its supervisory work.

d) Non-Financial Information Statement 2017: Disclosure of Non-Financial and diversity information

On 24 November 2017, Royal Decree-Law 18/2017 was enacted, which transpose Directive 2014/95/EU to Spanish law, which deals with the disclosure of non-financial information and diversity.

In a meeting held on 26 February 2018, the Audit and Compliance Committee, with the participation of the General Manager of Administration, Finance and Control, analysed the 2017 non-financial information statements of Endesa, S.A. and of its consolidated Group, prior to the formulation thereof by the Board of Directors, which contain the necessary information to understand the performance, results and situation of the Group, and the impact of its activity regarding environmental, social and personnel issues, respect for human rights and the fight against corruption and bribery.

The GRI (Global Reporting Initiative) international standard, which is the most widespread globally and in Spain, was followed when preparing the statements.

In addition, although it is not legally binding, Endesa opted to submit the 2017 Non-Financial Information Statement of Endesa, S.A. and its consolidated Group to be audited by the same auditor of the Legal Report.

e) Other Financial Information actions.

As part of its continuous supervision of financial and non-financial information, the Committee reviewed and analysed the financial statements and other non-financial information with the Administration, Finance and Control Department, the Audit Department and the External Auditor. In this regard:

- The Administration, Finance and Control Manager has informed the Committee, in addition to quarterly, semi-annual and annual accounting closings, of the accounting closures of February, May and August; of the bases for the presentation of the Endesa Consolidated Financial Statements, which are based on the International Financial Reporting Standards (IFRS) adopted by the European Union (EU); of the interpretations of the Rules applied; of the normative modifications in matter of periodic public information of the National

- Commission of the Market of Values (CNMV); and of the variations in the consolidation perimeter, among others.
- The Audit Director shall be present for all items regarding financial information brought up at the Committee.
 - The external auditor, Ernst & Young, S.L., informed the Audit and Compliance Committee about the work performed in relation to the six-month and annual results.
 - The Committee, in the exercise of its supervisory role, has verified the concurrence and updating of the financial information published on the CNMV's website with the information published on the corporate website and compliance with the requirements of Circular 3/2015 of the CNMV, with the help of an external advisor.

5.2 Internal Audit

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

For the purposes of overseeing the Committee, the General Manager of Audit periodically presented to the Committee the activities that the Internal Audit Department carried out in 2018:

- ✓ Approval of the 2018 Internal Audit budget and work plan and amendments made during the period.
- ✓ Reports of Internal Audit activities in 2017 and the first half of 2018, including a report on the operation of the Ethics Channel.
- ✓ Report on the follow-up of internal audit action plans as of 31 December 2017 and 30 June 2018.
- ✓ Internal Audit report on 2017 related-party transactions.
- ✓ Approval of the Internal Audit Statute in the meeting held on 7 May 2018.

The Committee, in accordance with its Regulations, hired an independent third party to certify/assess the internal audit function, the results of which will be reported in the first quarter of 2019.

Additionally, the Committee, in its role of overseeing the determination of the variable remuneration of the person in charge of the internal audit function, thus preventing the objectives of the area from 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, has been informed of the result of the 2017 variable remuneration of the internal audit manager and approved the 2018 objectives proposal.

Finally, in December 2018, in its role to directly oversee the Internal Audit area, and in accordance with recommendation 40 of the Code of Good Governance of Listed Companies and the Technical Guide of the CNMV 3/2017 on Audit Committees, the Committee proposed the appointment of the head of the internal audit service to the Endesa Board of Directors of Endesa, prior to the Appointments and Remuneration Committee report.

5.3 Legal Audit

In the development of the legal audit competencies, the Audit and Compliance Committee:

- ✓ Issued and published the "2017 Legal Audit Results" report in the Company's website to fully comply with its responsibility to inform the Annual General Shareholders' Meeting about the result of the audit and its contribution to the integrity of financial information.
- ✓ It approved a procedure to hire auditors to ensure that the selection process for Company auditors is impartial and that the criteria and parameters used make it possible to select an independent firm with the necessary technical capacities to undertake its work efficiently and responsibly, in accordance with current legislation and best corporate governance practices (Regulation (EU) 537/2014 on the specific requirements for the legal audit of public-interest entities, Law 22/2015 on the Audit of Accounts and the CNMV Technical Guide on Audit Committees).
- ✓ The Committee completed the Selection Process for the Endesa Accounts Auditor, whose final objective is a recommendation motivated by the Audit and Compliance Committee of the Board of Directors in relation to the appointment of the auditor of the Endesa, S.A. individual and consolidated annual accounts for the period 2020-2022, for its proposal to the 2019 Annual General Shareholders' Meeting:
 - In a session held on 18 June 2018, it formally approved the opening of the auditor selection procedure, and constituted an Internal Committee of experts for the selection procedure, made up of members of the Administration, Finance and Control Department, the Audit Department, the General Secretary and the Secretary of the Board, and the Endesa Procurement Department.
 - In a session held on 23 July 2018, it approved the Specifications of the procedure for selecting the auditor for the Endesa, S.A. individual and consolidated accounts; the appointment of the firms invited to participate in the procedure; and it appointed Endesa's sole liaison with the invited firms.
 - In the sessions held on 17 September and 22 October 2018, the Internal Committee of experts informed the Committee about the formal request for bids made to the invited firms, their reception, review of formal compliance with the requested technical specifications and their analysis process.
 - In a meeting held in December 2018, the Committee approved the report on the process for assessing the bids presented by the invited firms and issued a recommendation motivated by the Board of Directors in relation to the appointment of the auditor of the Endesa, S.A. individual and consolidated annual accounts for the period 2020-2022, to be proposed to the 2019 Annual General Shareholders' Meeting.
- ✓ To ensure the independence of the external auditor:

- In a session held on 26 February 2018, prior to the issuance of the accounts audit report, and in accordance with article 529 (14) of the Corporate Enterprise Act, it approved a report expressing the opinion on the independence of the auditor. The aforementioned report concluded that the additional services provided by Ernst & Young, S.L. to Endesa, S.A., do not commit, to the best of their knowledge and understanding, to the independence of the aforementioned auditing company. The external auditor also submitted a letter declaring its independent nature.
- In a session held on 23 July 2018, it approved a policy on the provision of services other than those of auditing by the statutory auditor and its relationship with the performance criteria to ensure the independence of the external auditor, defining the requirements included in the Guide, in the LSC, the Audit Law and in Regulation (EU) 537/2014, among others:
 - Individual authorisation of each service to be provided to the Company.
 - Information about mandatory audit services in other companies controlled by the Company.
 - Justification of the suitability of awarding the auditor service.
 - Fee limit: Report on the amount of the service and its quantification concerning the limit set by the Committee.
 - Services that cannot be provided by the auditor
 - Communication with the auditor.
- The provision of additional services by the auditing firm, with their respective budgets, was approved and reported to the Board of Directors in the sessions held on 29 January 2018, 26 February 2018, 19 March 2018, 7 May 2018, 18 June 2018, 23 July 2018, 17 September 2018, 22 October 2018, 5 November 2018 and 17 December 2018.

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 according to its loyal knowledge and understanding, the services comply with the corresponding independence standards.

Likewise, in accordance with the Policy for the Provision of Additional Services, the approval of the Administration of Finance and Control Department, the Internal Audit Department and the General Secretary is required.

The Committee shall also ensure that its independence is not compromised.

- It favourably informed the Board of Directors of the increase of Audit service fees for the Endesa, S.A., individual and consolidated Financial Statements and the six-month limited review, due to the increase thereof as a result of inflation in Spain according to the contractual

clauses agreed with Ernst & Young, S.L. and new conditions that amend the basis on which the fees were determined.

- The Committee was also notified about the E&Y audit services provided to companies within Endesa's consolidation perimeter.

- ✓ Finally, to complete its work overseeing the performance of the auditor and its contribution to the quality of the audit and the integrity of the financial information, in its session held in May 2018, the Committee issued the Final Assessment Report regarding the performance of the auditor, based on the work and opinion of the Administration, Finance and Control Department and the Internal Audit Department. For the preparation of the assessment report, the Committee focused on the analysis of the following parameters: frequency and quality of the communications, the management's opinion about the auditor, the auditor's transparency of accounts report, the auditor's practices of independence, public results of the quality controls performed by the supervisors and other available information.

5.4 Risk Management Control System

The Audit and Compliance Committee is tasked with overseeing the efficacy of the risk management system.

In this regard, in a meeting held on 29 January 2018, the Administration, Finance and Control Manager explained Endesa's risk management and control model, in which the roles and responsibilities of each intervening entity are identified, thus fulfilling the criteria established by the National Securities Market Commission (CNMV) and in accordance with the "Technical Guide 3/2017 on Auditing Committees of Public-Interest Entities", which establishes that the Audit and Compliance Committee must ensure that the company has a control and risk management function adapted to the organisational structure of the entity.

The Audit and Compliance Committee also oversaw the effectiveness of the risk management system on a quarterly basis, based on the information received by the Administration, Finance and Control Manager, at the meetings held on 19 March 2018, 18 June 2018, 17 September 2018 and 17 December 2018 and informed the Board of Directors of the Annual Risk Assessment in the meeting held on 23 July 2018.

In addition to the information from the Administration, Finance and Control Department, and complying with the requirements of the Technical Guide 3/2017 to receive periodic reports on the functioning of the systems in place and the conclusions reached on the risk management system, the Committee commissioned the external consultant KPMG to issue a report in December 2018 on the operation of Endesa's Risk Systems, that concludes that Endesa has a Risk Control and Management System that complies with applicable standards and regulations.

5.5 Corporate Governance

The main actions related to Corporate Governance competences performed by the Audit and Compliance Committee in 2018 were:

- ✓ Favourable report prior to being approved by the Board of Directors:
 - The amendment of the Regulation of the Board of Directors, already stated in the 2017 Annual Corporate Governance Report.
 - The proposal for Endesa to adhere to the Corporate Governance Guidelines of the Enel Group, provided that the corporate regulations and the legislation applicable to Endesa do not state otherwise.

- ✓ Oversee compliance with the company's corporate governance rules:
 - At its meeting held on 17 December 2018, the Committee assessed the recommendations included in the Code of Good Governance of Listed Companies for 2018 and examined the results of its follow-up, which will be included in the Annual Corporate Governance Report.
 - It oversaw the follow-up of the Communication and Relationship with Shareholders and Investors Strategy to guarantee that the Company maintains transparent, complete and truthful information with its shareholders and institutional investors.
 - In this regard, and given that Endesa's Corporate website is the Company's main communication channel with shareholders and investors and the market in general, the Committee, in its supervisory tasks, agreed to verify the concurrence and updating of the financial information published on the CNMV website, which is published on the corporate website, and compliance with the requirements of Circular 3/2015 of the CNMV, all with the help of the external advisor, KPMG.
 - To provide greater reliability and transparency regarding the operation of the Annual General Shareholders' Meeting, in safeguarding the rights of shareholders in the process of convening, preparing and holding the Meeting, the Audit and Compliance Committee approved the Review of the 2018 Annual General Shareholders' Meeting by the external advisor KPMG, which concluded with an accreditation on compliance with the procedures applicable to the Annual General Shareholders' Meeting.

- ✓ Propose the following reports to the Board of Directors for approval and publication:
 - Report on the Activity of the Audit and Compliance Committee and the Report of related operations carried out with significant shareholders and directors in 2017, all in the meeting held on 19 March 2018.
 - 2017 Annual Corporate Governance Report, in the meeting held on 26 February 2018.

During the meeting held on 17 September 2018, the Committee was also informed about the amendments made to Circular 17/2018, which sets forth the Template for the Annual Corporate Governance Report (ACGR) and which shall be applicable to the 2018 ACGR.

- ✓ In its meeting held on 17 December 2018, the Audit and Compliance Committee approved a 2019 schedule of sessions and annual work plan, its objectives for 2019, and the verification of the execution of those established for 2018 .

5.6 Tax Matters

The main actions related to tax matter competences performed by the Audit and Compliance Committee in 2018 were:

- ✓ Inform the Board of Directors after learning about the Fiscal Policies followed by Endesa in 2017, thus complying with the implementing rules for Corporate Governance in tax matters and the provisions of the Code of Good Tax Practices (CBPT), to which both Endesa and its subsidiaries are affiliated.
- ✓ Receive information regarding the company's tax situation on two occasions, thus complying with the implementing rules for Corporate Governance in tax matters and the provisions of the Code of Good Tax Practices (CBPT). It was also informed about the presentation to the Tax Authority on 25 June 2018, of the Annual Enhanced Transparency Report for 2017 within the voluntary system of reinforced transparency to which Endesa is affiliated.

5.7 Regulatory compliance

The main actions related to criminal risk prevention competencies performed by the Audit and Compliance Committee in 2018 were:

- ✓ Oversee compliance of the Criminal Risk Prevention Model:
 - The Model, in force since January 2012, which intends to prevent crimes from being committed within the scope of its activity for which the company could be criminally liable, was certified by AENOR in October 2017 for complying with UNE standards 19601 (Management of criminal compliance) and UNE ISO 37001 (Anti-corruption management). These AENOR accreditations are valid for three years, and as part of the process for obtaining them, a satisfactory results review was carried out in 2018 that makes it possible to maintain the certifications until October 2020.

In view of the result of the aforementioned certification process, the Committee has informed the Board of Directors of certain minor modifications in some of the "Criminal and Anti-corruption Compliance System" documents.

- 2017 activities and supervision report with the results of the work carried out during the year, description of the implementation and updating activities, as well as the results of the supervision of the Model controls.
- Approval of the 2018 Criminal Risk Prevention Model Activities Programme.
- ✓ Overseeing the process for adapting to the new General Data Protection Regime carried out by the Company, as well as the appointment of the Company's data protection officers.

5.8 Corporate social responsibility and sustainability

The main actions related to corporate social responsibility and sustainability performed by the Audit and Compliance Committee in 2018 were:

- ✓ Overseeing the follow-up of corporate social responsibility practices regarding human rights.
- ✓ Inform the Board of Directors about the 217 Endesa Sustainability Report.
- ✓ Inform the Board of Directors about the 2018-2022 Endesa Sustainability Plan and oversee the annual follow-up of the level of compliance of the 2017-2021 Sustainability Plan.

5.9 Related party transactions

All the information regarding the related operations reported by the Committee in 2018 is available in the "Report on the related operations with significant shareholders and directors, informed by the Audit and Compliance Committee to the Board of Directors in 2018". See Section C.

Furthermore, in a meeting held on 26 February 2018, the Committee oversaw the Internal Audit Report on related-party transaction performed in 2017.

6. ASSESSMENT OF THE AUDIT AND COMPLIANCE COMMITTEE

In accordance with the provisions of article 529 (nine) LSC and recommendation number 36 of the Code of Good Governance of Listed Companies of the National Securities Market Commission (CNMV), the 2017 annual performance evaluation on the effectiveness of the Audit Committee has been completed.

The process was carried out internally with the support of the Company, taking into account, among others, the aspects included in technical guide 3/2017 on audit committees of public-interest entities, which establishes the participation of the other the directors in the Committee's performance assessment.

In accordance with the result of said assessment, the Audit and Compliance Committee concluded that, in general, the operation of the Committee is satisfactory and that it correctly performs the duties entrusted to it.

Additionally, the Board of Directors approved the initiation of the process and methodology for assessing the operation of the Audit and Compliance Committee for 2018, which was executed with the help of the external consultant Deloitte, the results of which were presented to this Committee in the January 2019 meeting. The assessment concludes that the operation of the Committee is satisfactory and that it correctly performs the duties entrusted to it.

7. INFORMATION ABOUT THE COMMITTEE'S OPINION REGARDING THE INDEPENDENCE OF THE AUDITOR

The Report by Endesa's Audit and Compliance Committee on the independence of the auditor was approved in the meeting held on 26 February 2018, which states that the additional services provided by Ernst & Young, S.L. and the network with which it works with Endesa, S.A. and its Group Companies do not commit, to its knowledge, the independence of the auditing company.

See Section B.

8. MONITORING OF PRACTICE GUIDES

Endesa's Audit and Compliance Committee bases its action on the applicable legislation in force, the Corporate Bylaws, the Regulations of the Board of Directors, the Regulations of the Audit and Compliance Committee, the Code of Good Governance of listed companies and the CNMV Technical Guide 3/2017 on audit committees of public-interest entities.

In addition to the publication on 27 June 2017 of the Technical Guide on Audit Committees of public-interest entities by Spain's National Securities Market Commission (CNMV), on 24 July 2017, Endesa's Audit and Compliance Committee was informed about the importance of the Guide approved by the CNMV and Endesa's follow-up on the majority of its postulates. The Committee considered that the Guide should be understood as a possibility for improvement and a specific proposal was made on the measures to be taken to follow the recommendations of the Guide. On the date of this report, Endesa had implemented all the necessary actions to follow the criteria and recommendations established in the Guide and has informed the Committee in a timely manner of its implementation in the meeting held on 17 December 2018.

9. CONCLUSIONS

The 2018 Report on the activities of the Audit and Compliance Committee is intended to allow shareholders and other stakeholders to understand the functions and work carried out, and intends to be faithful to the criteria of the CNMV Technical Guide 3/2017 on audit committees of public-interest entities.

10. DATE ON WHICH THE AUDIT COMMITTEE CREATED THE REPORT AND DATE ON WHICH IT WAS APPROVED BY THE BOARD OF DIRECTORS.

This report was drafted by the Audit and Compliance Committee to be approved by Endesa's Board of Directors on 28 January 2019, and shall be published on the company's website prior to the 2019 Annual General Shareholders' Meeting.

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



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

25 February 2019

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

Justification

In accordance with Article 529 quaterdecies 4.f) of the Consolidated Text of the Corporate Enterprises Act (Ley de Sociedades de Capital), Technical Guide 3/2017 on Audit Committees and Public-Interest Entities of the National Securities Market Commission (CNMV), Article 15.4 of the Endesa, S.A. Audit and Compliance Committee Regulations, and the Endesa, S.A. Policy on Non-audit Services and Relationship with the Auditor, approved on 23 July 2018, the Committee hereby issues, prior to issuance of the statutory auditor's report, this report expressing an opinion on the whether the independence of the statutory auditor of the Company and of its Consolidated Group was compromised in fiscal year 2018.

This report includes, *inter alia*, a detailed evaluation of each and every additional service provided by the auditor, considering each service individually and jointly, separate to the legal audit, and in relation to the system of independence and regulations governing audit activities.

In accordance with the Good Governance Code of Listed Companies, this Report will be published on the Company's website for the Annual General Shareholders' Meeting.

Endesa, S.A.'s Audit and Compliance Committee, with a view to expressing an opinion on the independence of the statutory auditor for fiscal year 2018, has considered:

1. Relationship with the statutory auditor

The Audit and Compliance Committee of Endesa, S.A. has developed the relevant relationships with the statutory auditor in order to receive information on all matters which may place their independence at risk, to be examined thereby, as well as on any other matters related to the auditing of the accounts, including all reporting information as provided for by accounting and auditing standards and practices.

In accordance with Recommendation 42.2 d) of the Corporate Governance Code for Listed Companies, with Article 33 of the Board of Directors Regulations, and Article 3.1 of the Endesa, S.A. Policy on Non-audit Services and Relationship with the Auditor, the Audit and Compliance Committee of Endesa, S.A. maintains an objective, professional and ongoing relationship with the Company's statutory auditor, respecting the independence thereof and ensuring that the statutory auditor is provided with all information necessary to perform its tasks.

In accordance with that Policy, the Audit and Compliance Committee of Endesa, S.A. must monitor and oversee the independence of the statutory auditor, Ernst & Young, S.L., establish the appropriation relations with the statutory auditor to receive information on matters than may comprise its independence, and not impair the efficiency with which it conducts the audit, all in accordance with the Audit and

Compliance Committee Regulations of Endesa, S.A. and best practice in corporate governance.

For such purpose, Ernst & Young, S.L. attended several meetings of the Audit and Compliance Committee of Endesa, S.A. and reported on the following items:

- Audit of the consolidated financial statements of Endesa, S.A. and subsidiaries prepared in accordance with International Financial Reporting Standards as adopted by the European Union.
- Audit of the separate financial statements of Endesa, S.A., prepared in accordance with the General Chart of Accounts approved in Spain.
- Agreed-upon procedures regarding information relating to the System of Internal Control over Financial Reporting (ICFR).
- Limited review of the separate financial information of Endesa, S.A. and limited review of the interim condensed consolidated financial statements of Endesa, S.A. and subsidiaries as at 30 June, prepared in accordance with International Financial Reporting Standards as adopted by the European Union.
- Additional information for the Audit and Compliance Committee of Endesa, S.A. explaining the findings of the audit.
- Independent assurance report on the separate and consolidated non-financial statement.

It should also be noted that at those meetings, the statutory auditor did not report any circumstances which could have compromised its independence.

Furthermore, the Partner in charge from Ernst & Young, S.L. confirmed to the Audit and Compliance Committee of Endesa, S.A. that the Company's employees collaborated with and provided the statutory audit team with all information required to perform their work.

Moreover, in line with best practices in corporate governance and Endesa's Board of Directors Regulations, the Board of Directors shall meet with the statutory auditor at least annually to be informed of the work undertaken and developments in the Company's accounting and risk positions.

In this regard, Ernst & Young, S.L. attended two meetings of the Company's Board of Directors in 2018 to report on:

- (i) the services provided in fiscal year 2018. The auditors explained the audit and non-audit services provided in the year and the terms and conditions of the engagements.
- (ii) the 2018 Audit Plan (timetable of the main activities planned, the strategy and planning of the audit engagements, significant risks, internal control and corporate governance, and key audit and accounting matters);
- (iii) the procedures to be followed for the System of Internal Control over Financial Reporting (ICFR);

- (iv) the activities carried out in 2018. They detailed the main activities of the 2018 Audit Plan and the key audit and accounting matters.
- (v) the general principles of the 2018 Audit Report structure and content and of the Additional Report to be submitted to the Audit and Compliance Committee, in addition to the key audit matters to be included in the 2018 Audit Report on the consolidated financial statements (impairment of non-financial assets, recognition of revenue from electricity and gas sales not billed, and provisions for litigation, termination benefits and other legal or contractual obligations) and the separate financial statements (impairment of non-current investments in Group companies and associates).

2. Statement on independence by the statutory auditor

In accordance with Article 529 4.e) of the Corporate Enterprises Act, the Audit and Compliance Committee of Endesa, S.A. has received, from the statutory auditor of Ernst & Young, prior to issuance hereof, written notice stating that it met all applicable independence requirements, thereby confirming its independence from Endesa, S.A. and from any directly or indirectly related companies, in addition to detailed information on an individual basis about any type of additional services provided and the fees received, thereby confirming its independence from Endesa, S.A. and directly and indirectly related companies, which stated the following:

- The team in charge of performing the audit as well as the audit firm, including all relevant extensions thereof, has complied with all independence requirements as set forth in the applicable statutory account auditing regulations in Spain.
- Ernst & Young, S.L. has internal policies and procedures in place that were designed to provide reasonable assurance that the audit firm and its employees and, as the case may be, other persons covered by independence requirements (including personnel from other firms within its network), maintain their independence when so required by applicable regulations. These procedures include procedures aimed at identifying and assessing threats which may arise in circumstances related to audited companies, including threats which could result in incompatibility and/or which may require the implementation of the necessary safeguards to reduce such threats to an acceptably low level.

In this regard, Ernst & Young, in its professional opinion and as relates to said audit, hereby declares that no circumstances were uncovered which, individually or jointly, could pose a significant threat to its independence, and which would therefore require the implementation of safeguards, or which could result in a case of incompatibility.

Furthermore, Ernst & Young, in accordance with the regulations in force, has specified the fees charged for the services provided to Endesa, S.A. and its Group companies in fiscal year 2018.

3. Statutory auditor fees and services provided

- In accordance with the legislation in force and with the approval procedure provided for in the Endesa Policy on Non-audit Services and Relationship with the Auditor, the Audit and Compliance Committee of Endesa, S.A. authorised, prior to their arrangement, the agreements for the provisions of non-audit

services between Endesa, S.A. or Group companies and Ernst & Young, S.L. or any member of its network, subject to an individual and overall analysis of the threats to independence that may arise from such agreements, including the limit on fees provided for in the Policy.

The Endesa Policy on Non-audit Services and Relationship with the Auditor states that the total fees paid to the Company's statutory auditor for non-audit services shall not exceed 70% of the total fees paid for the statutory audit or audits of the Company and subsidiaries and, where applicable, of the Company's separate and consolidated half-yearly financial statements.

Not included in the limit on fees are fees for services other than the statutory audit of the separate and consolidated interim half-yearly financial statements required of the statutory auditor by European Union law or Spanish legislation.

- Endesa also requires that the statutory auditor submit a certificate of independence for each one of the additional services to be rendered, prior to approval by the Audit and Compliance Committee of Endesa, S.A., in which the statutory auditor confirms that, to the best of its knowledge, the services comply with the relevant independence requirements.
- Moreover, the Audit and Compliance Committee must ensure that compensation of the statutory auditor for work completed does not compromise its quality or independence and verify limits on the concentration of the Auditor's business.

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 fiscal year 2018 amounted to less than 15% of the revenue reported in the financial statements of Ernst & Young S.L. for the year ended 30 June 2018.

- Lastly, the Audit and Compliance Committee of Endesa, S.A. analysed the changes in the total compensation paid to the auditor.

The auditor, Ernst & Young, provided the following services to Endesa, S.A. and its Group companies in fiscal year 2018:

(Thousands of euros)	2018 fees		2017 fees	
	Company	Related parties	Company	Related parties
Services provided				
Audit services	1,128	1,028	1,497	885
Other non-audit services				
- Report on agreed-upon procedures	1,142	144	596	47
- Report on agreed-upon procedures regarding information relating to the System of Internal Control over Financial Reporting (ICFR)	49		49	-
- Other related services			112	632
Reports on the limited review of the interim financial statements	366	47	274	45
• Total audit, audit-related and limited review services	2,685	1,219	2,528	1,609
Tax services			-	-
Other services			-	-
• Total fees	2,685	1,219	2,528	1,609

The total fees paid to the statutory auditor of the Company in 2018 amounted to Euros 3,904 thousand (2017: Euros 4,137 thousand), of which Euros 2,156 thousand related to statutory audit services, Euros 413 thousand to limited reviews of the interim financial statement and Euros 1,284 thousand to non-audit services, representing 49.98% of the total annual fees for audit services of the Company and subsidiaries. Therefore, they did not exceed the 70% annual limit established by the Company's internal rules and regulations; and Euros 51 thousand to services, other than the statutory audit of the separate and consolidated interim financial statements required of the auditor in European Union law and Spanish legislation. Accordingly, these services were not included in the calculation of the annual limit of fees of 70%.

A detailed breakdown of these fees is provided below

I. Audit services:

The fees for audit services in 2018 amounted to Euros 2,156 thousand (2017: Euros 2,382 million) and included the audit of the separate and consolidated financial statements of Endesa, S.A. for the year ended 31 December 2018, as well as of its subsidiaries.

II. Limited reviews:

The fees for these services totalled Euros 413 thousand (2017: Euros 319 thousand) and included the limited review of the separate financial statements of Endesa, S.A. and the limited review of the interim condensed consolidated financial statements of Endesa, S.A. and subsidiaries for the six months ended 30 June 2018. The larger amount in 2018 compared to 2017 is the result of the inclusion in the review of the separate financial statements of Endesa, S.A.

III. Other audit-related services

The fees for other audit-related services in 2018 totalled Euros 1,335 thousand (2017: Euros 1,436 thousand), broken down as follows:

- Reports on agreed-upon procedures regarding regulatory, contractual, by-law and other requirements.
- Report on agreed-upon procedures regarding information relating to the System of Internal Control over Financial Reporting (ICFR).
- Other related services.

These engagements pertain, primarily, to services closely related to the audit and which, at times, supplement or partially serve to support the audit work and which, given their knowledge of the business and with a view to preventing duplication of work and costs, are entrusted to the statutory auditor to the extent such engagement does not result in a conflict of interest.

In 2018, the Audit and Compliance Committee approved and reported to the Board of Directors the additional services provided by the audit firm, and their respective budgets, at its meetings held on 29 January 2018, 26 February 2018, 19 March 2018, 7 May 2018, 18 June 2018, 23 July 2018, 17 September 2018, 22 October 2018, 5 November 2018 and 17 December 2018.

IV. Other non-audit services:

The auditor did not provide any tax or other services beyond those mentioned above in 2018.

4. Tenure and rotation of the statutory auditor

I. Tenure of the statutory auditor

- According to Law 22/2015, of 20 July, on statutory audits, listed companies shall appoint a statutory auditor or audit firm for an initial engagement of at least three years. This engagement may be renewed for periods of up to three years, subject to an overall maximum duration of 10 years. This overall duration may be extended by up to an additional four years provided an additional auditor or audit firm is simultaneously engaged.
- Endesa, S.A. has engaged Ernst & Young, S.L. as the statutory auditor for the annual financial statements of Endesa, S.A. and for the consolidated annual financial statements of Endesa, S.A. and subsidiaries since 2011, with subsequent renewals for three-year periods.

In this regard, the Audit and Compliance Committee of Endesa, S.A., at its meeting on 19 December 2016, submitted its recommendation to the Board of Directors that the statutory auditor Ernst & Young, S.L. be reappointed as the auditor for the separate and consolidated annual financial statements of Endesa, S.A. for 2017-2019, which was approved by the Annual General Shareholders' Meeting held on 26 April 2017.

Reappointment of the auditor for three additional years does not exceed the 10-year limit as laid out in the applicable regulations.

In 2018, the Audit and Compliance Committee of Endesa, S.A. completed the selection process for the auditor of Endesa, S.A., the ultimate aim of which was for the Audit and Compliance Committee to issue a reasoned recommendation to the Board of Directors regarding the appointment of the auditor of the separate and consolidated financial statements of Endesa, S.A. for the 2020-2022 period, for its proposal to the 2019 General Shareholders' Meeting.

On 17 December 2018, Endesa's Board of Directors agreed to propose to the General Shareholders' Meeting of 2019 the appointment of KPMG Auditores, S.L. as the auditor of the separate and consolidated financial statements of Endesa, S.A. for the 2020-2022 period, in accordance with the recommendation issued by the Audit and Compliance Committee of Endesa, S.A. as a result of the selection policy carried out. This resolution was disclosed to the market in a price-sensitive information notice sent to the Spanish National Securities Market Commission (CNMV) on 17 December 2018.

II. Rotation of the lead auditors for the audit of financial statements

As regards rotation of the lead auditors responsible for performing the audit, the regulations in force provide that the lead auditor shall be replaced every five years, as from execution of the initial contract, and in any case, a period of three years must elapse before that partner is allowed to audit the relevant company again.

2018 was the first year that the partner of Ernst & Young, S.L. overseeing the audit of the separate and consolidated financial statements of Endesa, S.A. was

the signing partner of Endesa, S.A.'s separate and consolidated annual financial statements.

Conclusion

In accordance with the analysis completed herein, the Audit and Compliance Committee of Endesa, S.A. hereby states that the additional services rendered by Ernst & Young, S.L. and the network through which it operates to Endesa, S.A. and Group companies do not compromise, to the best of its knowledge, the independence of the audit firm.

**C) REPORT ON RELATED-PARTY
TRANSACTIONS WITH SIGNIFICANT
SHAREHOLDERS AND DIRECTORS,
REPORTED TO THE BOARD OF
DIRECTORS BY THE AUDIT AND
COMPLIANCE COMMITTEE IN 2018**



REPORT ON RELATED-PARTY TRANSACTIONS WITH SIGNIFICANT
SHAREHOLDERS AND DIRECTORS, REPORTED TO THE BOARD OF
DIRECTORS BY THE AUDIT AND COMPLIANCE COMMITTEE IN 2018

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 - A. Related-party transactions with the Endesa Group business
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In accordance with recommendation 6 of the Code of Good Governance of Listed Companies, Endesa's Audit and Compliance Committee has prepared this Report on related-party transactions, reported to ENDESA's Board of Directors in 2018, for the purpose of Publication on the Company's website for the 2019 Annual General Shareholders' Meeting 2019.

I. Background:

The fact that the Endesa Group belongs to the Enel Group makes it possible, among others, to create synergies, coordinate best practices and apply economies of scale that particularly affect:

- the goods and services procurement area;
- the corporate services area;
- the Information and Telecommunication Systems technologies;
- and the electric energy generation, distribution and marketing activities, mainly: research, development, engineering, execution, start-up and operation and maintenance of facilities, as well as the acquisition and sale of raw materials in global markets.

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

ENDESA's most important transactions with the Company's significant shareholder essentially consist of:

- related-party transactions with the ENDESA Group business: procurement of goods (raw material, energy and meters) and hedging and
- related-party transactions with activities that support the management and the business (provision of different intragroup services).

II. Regulatory framework

A. Spain's Corporate Enterprises Act

Articles 228 and 229 of the Spanish Corporate Enterprises Act regulate situations of conflict of interests of the Directors, obliging the affected Directors to abstain from participating in the deliberation and voting on resolutions or decisions in which he/she or a related person has a direct or indirect conflict of interest. The agreements or decisions that affect him/her in his/her capacity as administrator shall be excluded from the previous obligation of abstention, such as his/her appointment or revocation for positions on the governing body or other similar bodies; likewise, the Director must adopt the necessary measures to avoid incurring in situations in which his/her interests, whether on his/her own behalf or on the behalf of others, may be in conflict with the corporate interest and his/her duties to the company.

In particular, article 529 (3) of the Corporate Enterprises Act establishes that, following a report from the Audit Committee, the Board of Directors of the listed company must approve the transactions that the company or companies of its group carry out with directors or 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 related to them. The directors who are affected or who represent or are related to the affected shareholders must abstain from participating in the deliberation and voting of the agreement in question. Only transactions that simultaneously meet the following three characteristics will be exempt from this approval:

1. They are governed by standard form contracts applied on an across-the-board basis to a large number of clients.

2. They go through at market prices, generally set by the person supplying the goods or services, and
3. Their amount is no more than one percent of the company's annual revenue.

B. Endesa's Related-Party Transactions Regulation

The purpose of the Related Transactions Regulation is to regulate the approval procedure by the Board of Directors, applicable to those transactions that Endesa or any of the Endesa Group companies engage in with Endesa's Directors, significant Endesa shareholders or the people related to any of them, all within the scope of the Corporate Enterprises Act.

The transactions subject to this Regulation are those that involve a transfer of resources, services or obligations, carried out by the Directors, the significant shareholders of Endesa or the persons related to any of them, to Endesa or to any of the Endesa Group companies, regardless of whether or not there is any consideration, all within the scope of the Corporate Enterprises Act

Procedures to be followed for transactions related with Directors:

- Preliminary clearance request for the transaction: Endesa Directors must request approval from the Board of Directors, through the General Secretary and the Board of Directors, for any transaction that they or their related parties intend to perform with Endesa or with any company in the Endesa Group, prior to performing it.
- Approval of the transaction by the Board: The Audit and Compliance Committee will analyse the transaction and issue a report for which purpose it may request any additional information and external advice it deems fit through the General Secretary and the Board of Directors.

The Audit and Compliance Committee report will be submitted to the Board of Directors so that it may rule as appropriate in relation to authorising the transaction.

- Obligation to abstain from participating in decision-making: Directors who are going to perform the transaction or related to the party who is going to perform it or who, for any reason, are affected by a conflict of interests must abstain from participating in the deliberation and voting on the agreement in question, so that the independence is guaranteed of the Directors approving the related-party transaction in relation to the Directors affected by it.

Procedures to be followed for transactions related with significant shareholders:

- Preliminary clearance request for the transaction: Endesa Group Senior Management must request approval from the Board of Directors, through the General Secretary and the Board of Directors, for any transaction that Endesa or any company in the Endesa Group intends to perform with significant shareholders or their related parties. Likewise, the Senior Management must inform the General Manager of Administration, Finance and Control at Endesa of this request.
- Approval of the transaction by the Board: The Audit and Compliance Committee will analyse the transaction and issue a report for which purpose it may request any additional information and external advice it deems fit through the General Secretary and the Board of Directors.

The Audit and Compliance Committee report will be submitted to the Board of Directors so that it may rule as appropriate in relation to authorising the transaction.

- Obligation to abstain from participating in decision-making: And Director who is also the significant shareholder affected or is related to the latter, and also any Directors who have been appointed at the request of the aforementioned significant shareholder or who, for any other reason, are affected by a conflict of interest, must abstain from participating in the deliberation and voting on the agreement in question.

Both the Corporate Enterprises Act and the Endesa Related-Party Transactions Regulations, which are of a substantive nature in relation to the approval procedure for related-party transactions and regarding 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-party transactions that must be provided by the Companies that issue securities admitted to trading on official secondary markets, as well as in the regulations of the Annual Corporate Governance Report and the regulations on market abuse, which could give rise to non-equivalent situations.

III. Information about related-party transactions with Directors, reported to the Board of Directors by the Audit Committee in 2018

The main significant transactions of the ENDESA Group in 2018 with company Directors are detailed below.

- Helena Revoredo Delvecchio, has been Chairwoman of Prosegur, and an independent Director at Endesa since 4 November 2014.

Helena Revoredo performs 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 2018, the Prosegur Group entered into the following contracts with the Endesa Group, which were awarded by the Board of Directors of Endesa following a report from the Audit and Compliance Committee based on the results of the corresponding tender, and without the participation of the director Ms Revoredo, in accordance with the applicable legislation in matters of conflicts of interest:

- ✓ Contracts for the provision of security and surveillance services: personal protection. The contracts have been approved for a three-year period for a global amount of 2.05 million euros.
- ✓ Service contract for information intelligence for a two-year period and for a global amount of 0.1 million euros.
- ✓ Contract for updating the fire detection system at the Jinamar fossil fuel plant (Las Palmas de Gran Canaria) for the amount of 0.05 million euros.

Additionally, in 2018, the Prosegur Group formalised the following two operations with the Asociación Nuclear Ascó-Vandellós II (ANAV), an Economic Interest Group formed by Endesa Generación with 85.6% and Iberdrola Generación with 14.4% for the operation and management of the Ascó 1, Ascó 2 and Vandellós II Nuclear Power Plants:

- ✓ Contract for the Private Physical Security services of the Ascó 1, Ascó 2 and Vandellós II Nuclear Power Plants for a three-year period (01/01/2019 to 31/12/2021) and for a maximum value of 19.06 million euros.
- ✓ Contract for the Design, Supply and Testing of an Automatic Fire Detection System at the Ascó 1, Ascó 2 and Vandellós II Nuclear Power Plants for a maximum value of 0.1 million euros.

In any case, as part of these transactions it must be noted that: the nature of the services is ordinary; the services are provided under market conditions, as also demonstrated in the external advisor report issued to this end; and pursuant to international good corporate governance practice criteria, the amount is not significant or material, as these amounts come to less than 1% of the income or billing volume of both companies.

IV. Information about related-party transactions with significant Shareholders, reported to the Board of Directors by the Audit Committee in 2018

The main significant transactions of the ENDESA Group authorised in 2018 with the companies that comprise the ENEL Group are detailed below.

The realisation of transactions between companies of the Endesa Group and companies that comprise the ENEL Group is considered a related-party transaction, in that Enel SpA indirectly holds 70.10% of the share capital of Endesa SA and, therefore, it is a significant shareholder.

These are transactions between the Company and its main shareholder that have a specific legal regime and approval imperative, so it must be concluded on the legality of these types of transactions, provided that, in addition to respecting the general clause of the corporate interest, they are approved according to the legally established procedure.

A. Related-party transactions with the Endesa Group business:

Global Trading

ENDESA manages the commercialisation and generation businesses in an integrated manner, covering the long or short positions in electricity sales and the necessary commodities through the Energy Management Division, which fulfils the double objective of maximising the margin and managing risk through the opportune hedging. In the development of the first, ENDESA participates in physical and financial wholesale markets to achieve a competitive cost of fuel and CO2 for the operation of generating plants in the wholesale markets. Regarding the second, ENDESA contracts intermediation transactions and hedging instruments to reduce the risk derived from fluctuations in the price of certain products that are critical for the company's business, such as electricity, gas, coal, Brent and carbon dioxide emission rights.

Endesa manages a portfolio of framework agreements with different counterparties for the formalisation of commodity supply agreements and the financial hedging of the price of these agreements. Part of this transaction is carried out through Enel Trade SpA (Enel Group Company). The use of Enel Trade SpA as a single counterparty to operate in international markets supposes an operational simplification and a reduction in the volume of required guarantees, contributing both to the reduction of operating and credit risk, and to the reduction of management costs.

These types of transactions are homogeneous and respond to a single form of operating in which Endesa, instead of contracting with multiple counterparts in the market, does so only with one (Enel Trade), which represents an important saving of costs and absence of guarantees. In addition, these transactions are intrinsically carried out at market value, since Endesa verifies that the value corresponds to that publicly reflected in a liquid index at the time of execution. In the case of physical purchases of coal and gas, bids are requested from third parties.

The notional value of the transactions reported by the Audit and Compliance Committee, and authorised by the Board of Directors, between Enel Trade and Endesa in 2018 amount to a maximum of 14,886 million euros, of which transactions have been carried out for the value of 3,481.13 million euros (23.38%).

It has been verified with an external advisor that for the Global Trading operations authorised in 2018, the agreed prices are market prices, as well as their terms and conditions. To this end, a free-price method has been used that is comparable to third-party bids that are not related to the same type of transactions.

The Audit and Compliance Committee unanimously gave a favourable report on these transactions.

Other Trading

The Audit and Compliance Committee also reported favourably to the Board of Directors on the agreement for the Joint Management of methane tankers (Shipping) and supply contracts for Liquefied Natural Gas ("LNG") between Endesa Energía (ENDESA) and Enel Global Trading (ENEL) for the period between 1 January 2019 and 1 July 2020, extendable for annual periods. LNG transactions will have a maximum amount of USD 200 million per year.

This agreement, which does not imply changing the ownership of gas contracts or contracts related to gas transportation, makes it possible to develop synergies between the two parties.

B. Related-party transactions with technical services and service that support management: provision of different intragroup services

Corporate services

ENEL and ENDESA provide technical and corporate services. With the provision of these services, the Group aims to optimise resources by centralising functions, thus achieving a more operational and efficient structure in terms of costs.

The corporate services encompass all activities that provide 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 related-party transactions:

- The contracting of technical services of the Endesa-X Business provided by Enel-X, SrL in favour of Endesa Energía, S.A. for 2018 for 9 million euros per year.
- The provision of certain technical services by Endesa Energía S.A. to Enel-X, SrL. for 2018 and 2019 for 1.9 million euros per year.
- Ratification of the renewal of the services rendered contract (Operation & Maintenance, Engineering & Construction, Business Development (Commercial Office) and Staff departments) by Enel Green Power Spain, S.L. staff for Enel Green Power, S.p.A., for 2018 and 2019 for 6.55 and 6.9 million euros respectively.

- The 2019 renewal proposal of the technical service and management support contracts provided by Enel, SpA and some of its Italian subsidiaries to Endesa, S.A. and subsidiaries for 107.94 million euros, with the following details:
 - ✓ Management support services provided by Enel, SpA to Endesa, S.A. and its main controlled subsidiaries: 16.93 million euros.
 - ✓ Technical procurement services provided by Enel Italia SrL to Endesa, S.A. and subsidiaries: 5.80 million euros.
 - ✓ Technical ICT services provided by Enel Italia SrL to Enel Medios y Sistemas, S.L.: 42.50 million euros.
 - ✓ Technical services of the Thermal Generation Business provided by Enel Global Thermal Generation SrL to Endesa Generación, S.A. and subsidiaries: 14.36 million euros.
 - ✓ Technical Services of the Endesa-X Business provided by Enel X SrL to Endesa Energía, S.A.: 9.14 million euros.
 - ✓ Technical services of the Distribution Business provided by Enel Global Infrastructure & Networks SrL a Endesa Red, S.A. and subsidiaries: 7.39 million euros.
 - ✓ Technical Services of the Trading Business provided by Enel Global Trading, SpA to Endesa, S.A.: 6.72 million euros.
 - ✓ Technical services of the Renewable Energy Business provided by Enel Green Power SpA to Enel Green Power Spain S.L.: 5.07 million euros.
- Authorisation to sign re-invoicing contracts for expatriate staff costs (Recharge Agreements for Personnel Secondment) between Endesa or its controlled companies and Enel Group companies, by means of which all costs incurred by expatriate employees are invoiced by the origin companies to the destination companies.
- Authorisation to extend the insurance mandate with Enel until 30 November 2019 to be negotiated and contracted, in the name and on behalf of Endesa, Endesa 2019 global insurance policies included in the mandate for damages, civil liability and environmental responsibility, freight and transportation of goods, medical plan for expatriates, drones, medical expenses for trips abroad and insurance of Directors & Officers for an estimated amount of 49.48 million euros. The contracting of global policies by Enel SpA, and when Endesa is insured, this makes it possible to obtain synergies in the insurance market.
- Authorisation for the extension of contracts for the provision of corporate services, rental of spaces and associated services and assignment of spaces and re-invoicing of associated services by the companies of the Endesa Group, Endesa, S.A., Endesa Medios y Sistemas, S.L. and Endesa Distribución Eléctrica, S.L. to Enel Iberia S.L. for a three-year period (2019-2021) and for the amount of 7.5 million euros.
- Approval of the contracting of the services related to the Call Centre and Telemarketing activity by Endesa Energía and Endesa Operaciones y Servicios Comerciales to Codensa for a three-year period (2019-2021) and for the amount of 1.21 million euros.

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

C. Other Transactions

Technical and Engineering Services

- Formalisation of a contract for the provision of Project Management services and Technical Office for the "Formula E" project by Endesa Ingeniería S.L. to Enel S.p.A., for an amount of 1.28 Million euros and effective until 31 July 2018.

- Hiring of Enel Produzione SpA by Endesa Generación, S.A. for the provision of engineering services for carrying out cost estimation studies, the drafting of the execution project and the monitoring and control of the bidding process for the dismantling and demolition of the Thermal Power Plants in Compostilla and Teruel for a 28-month period and the amount of 0.22 million euros.
- Ratification of a contract between Enel Green Power Spain, S.L. and Enel Green Power Romania SRL for the supply of an ECHESA GE 2000 PL gearbox, for the amount of 0.19 million euros.
- Approval of an extension of the contract between Endesa Ingenieria and E- Distribuzione for Endesa to provide services to analyse dielectric fluids in power transformers for a maximum amount of 0.65 million euros and for a two-year period.
- Hiring of Enel Green Power, SpA (EGP) to do the property engineering for the project management services, engineering, support for the assembly and commissioning of improvement and conservation actions at the Flix Hydraulic Power Plant, for the amount of 0.98 million euros.
- Proposal for the ratification of a contract between Enel Green Power España, S.L. (EGPE) and Enel Green Power (EGP) S.P.A., for the repair of two ECHESA GE 850 PL gearboxes at the Enel Green Power repair shop in Lardarello (Pisa-Italy), for the total amount of 0.07 million euros.
- Extend the contract for logistic services provided by Endesa Generación to Enel Produzione in the ports of Carboneras and Tarragona for one year, entering into force on 1 January 2019.
- Hiring of ENEL PRODUZIONE SpA for the provision of services for engineering and construction projects carried out by ENDESA GENERACIÓN for the amount of 1.18 million euros.
- Signing of a contract for the provision of services by Enel Green Power Spain, an Endesa group company, for the control of the operation of the renewable generation plants of Energía Nueva Energía Limpia México, 100% of Enel Green Power Mexico, for 0.25 million euros with a 1 year duration, automatically renewable for equal periods up to a maximum of 3 years for 0.15 million euros in the second and third year.

Remote management

- Approval of the provision of an Evolutionary Maintenance service for the remote management system to ensure its constant adaptation and technical improvements for 3.09 million euros, within the framework of the contract for the supply of equipment and licenses signed by Endesa Distribución, S.A. and Enel Distribuzione S.p.A. in 2015

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

V. Conclusions:

All the transactions referred to in this Report have been approved by the Company's Board of Directors following a favourable Report from the Audit and Compliance Committee.

The Endesa Directors affected by the conflict or appointed at the request of or related to Enel have not participated in the deliberation and voting of each of the agreements in question, nor on the Audit and Compliance Committee, nor on the Board of Directors. .

The Endesa directors have considered the compatibility of each of the transactions with the company's interest in respect of their opportuneness and their terms and conditions, without prejudice to taking into account the specialities derived from Endesa belonging to the Enel Group, from which benefits derived from the generation of synergies, coordination of best practices and obtaining economies of scale in certain areas are obtained.

All of the requests for Related-Party Transactions have been accompanied by at least one Independent Third Party Report on the market adequacy of the prices of services and, where appropriate, legal adaptation of their main contractual conditions.

At the request of the Audit and Compliance Committee, Endesa's Internal Audit Department verifies that all related-party transactions are examined and, if necessary, approved by the Board of Directors, and that they are entered into under the terms in which they have been approved.

**D) AUDIT AND COMPLIANCE COMMITTEE
REPORT ON THE STATUTORY AUDIT FOR
FISCAL YEAR 2018**



AUDIT AND COMPLIANCE COMMITTEE REPORT ON
THE STATUTORY AUDIT FOR FISCAL YEAR 2018

AUDIT AND COMPLIANCE COMMITTEE REPORT ON THE STATUTORY AUDIT FOR FISCAL YEAR 2018

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 with a view to compliance with its duty to report to the General Shareholders' Meeting on audit results and on contributions of the audit to the integrity of the financial information, for publication hereof on the Company's website for the purposes of the General Shareholders' Meeting called to be held on 12 April 2019, under the following terms:

STATUTORY AUDIT RESULTS FOR FISCAL YEAR 2018

In the opinion of the auditor Ernst & Young, the separate and consolidated annual financial statements of Endesa, S.A. give, in all materials aspects, a true and fair view of the equity and financial position of Endesa, S.A. as at 31 December 2018, as well as of its profits and cash flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and other applicable regulations regarding financial reporting in Spain.

In this regard, at the meeting of the Audit and Compliance Committee held on 25 February 2019, the General Manager of Administration, Finance and Control presented, for reporting by the Audit and Compliance Committee, the authorisation for issue of the separate and consolidated annual financial statements and the proposed distribution of profit for 2018, and explained the highlights for the year, the key financial indicators, Endesa's market environment and performance, financial profits and the analysis of net debt, as well as the analysis of Endesa's business, providing a detailed explanation of the main elements of the annual financial statements, the management report and the proposed distribution of profit.

Similarly, the Partner from the External Auditor Ernst & Young reviewed the audit work carried out, saying that, once the 2018 financial statements 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 conducted in accordance with Auditing Rules applicable in Spain (ICAC), as adapted to International Auditing Standards (NIA-ES)
- b) All critical accounting policies, estimates and judgements of Management were assessed and no material discrepancies were identified.
- c) There were no restrictions on the availability of information and that Endesa's employees have collaborated with and provided the external audit team with all information required to perform its duties.
- d) There were no conflicts of interest limiting the performance of their professional activity as auditors.

- e) No fraudulent or other illegal activities were detected which may affect the true and fair view of the equity and financial position presented in the annual financial statements.
- f) In accordance with Article 11 of Regulation (EU) 537/2014, a report was issued to the Audit and Compliance Committee detailing the results of the audit carried out and addressing, *inter alia*, the following:
 - ✓ Nature and frequency of the 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 financial statements, confirming compliance with related regulations.

In addition, the auditor, Ernst & Young, pursuant to Article 49 of the Code of Commerce, verified, with the scope of limited assurance, the separate and consolidated Non-financial Statements of Endesa for the year ended 31 December 2018, which form part of the separate and consolidated management reports, concluding that no issues arose to indicate that the separate and consolidated Non-financial Statements for 2018 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 as indicated for each issue in the section "Table of contents required by Law 11/2018, dated 28 December, on non-financial and diversity information" therein.

The actions performed by the Audit and Compliance Committee in fiscal year 2018 in relation to this process included:

- 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 separate and consolidated annual financial statements as at 31 December 2018 prior to their authorisation for issue by the Board of Directors. Furthermore, the General Manager of Administration, Finance and Control presented the financial information, together with the separate and consolidated half-yearly interim condensed financial statements and the quarterly financial information; and finally, the statutory auditor, Ernst & Young, reported on the half-yearly and annual results for the year.
- Monitored 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 its oversight of the effectiveness of 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 ICFR processes and controls, concluded that the level of confidence and reliability of Endesa's ICFR is adequate and operated effectively in 2018 to meet the Company's control objectives.
- ✓ Report of Internal Audit, based on its analysis of ICFR conducted in its process audits, testing of the Digital Solutions controls of ICFR and monitoring of the work performed by Deloitte, concluding that the level of confidence and reliability of Endesa's ICFR as at the close of 2018 was adequate.
- ✓ Report of the independent expert, Deloitte, which, as a result of the work performed, concluded that the assessment of the performance of the Endesa Group's ICFR at 31 December 2017 was satisfactory, with no deficiencies uncovered that would affect the overall performance of the system.

In performing its statutory audit duties and for the purposes of ensuring the external auditor's independence, the Audit and Compliance Committee:

- ✓ Approved a report expressing an opinion on the independence of the statutory auditor, prior to issuance of the auditor's report and in accordance with Article 529 quarterdecies of the Corporate Enterprises Act. This report concluded that the additional services rendered by Ernst & Young, S.L. and the network through which it operates to Endesa, S.A. and its Group companies do not compromise, to the best of its knowledge, the independence of the auditing company. Furthermore, the external auditor presented a letter expressing its independent status.

The report for 2017 was approved at a meeting held on 26 February 2018 and the report for fiscal year 2018 was approved at a meeting held on 25 February 2019.

- ✓ Approved, at a meeting held on 23 July 2018, the "Policy on Non-audit Services and Relationship with the Auditor", with guidelines for action to oversee the independence of the external auditor, which define the requirements contained in the guidelines, the Corporate Enterprises Act, the Audit Law, and Regulation (EU) 537/2014.

Approved and reported to the Board of Directors on the provision of additional services by the audit firm, including the relevant budget, at its meetings held on 29 January 2018, 26 February 2018, 19 March 2018, 7 May 2018, 18 June 2018, 23 July 2018, 17 September 2018, 22 October 2018, 5 November 2018 and 17 December 2018.

Endesa requires that the external auditor provide a certificate of independence for each additional service rendered prior to the approval thereof by the Audit and Compliance Committee, in which the auditor confirms that, to the best of its knowledge, the services comply with relevant rules on independence. In addition, the Audit and Compliance Committee shall ensure that their independence is not compromised. Likewise, in accordance with the Policy on Non-audit Services, the approval of the Administration, Finance and Control Department, the Internal Audit Department and the General Secretary is required.

- ✓ Approved a "Procedure for Engaging the Statutory Auditor" to ensure that the Company's auditor selection process is impartial and that the criteria and parameters used allow for the selection of an independent firm with the necessary technical capabilities to undertake its work efficiently and responsibly, in accordance with prevailing legislation and best practices in corporate governance (Regulation (EU)

537/2014 on specific requirements regarding statutory audits of public-interest entities, Law 22/2015 on Statutory Audits and the Technical Guide on Audit Committees of the National Securities Market Commission).

- ✓ Was informed about audit services provided by Ernst & Young to companies within Endesa's consolidation scope.
- ✓ Issued a favourable report to the Board of Directors of the increase of fees for audit services related to the audit of Endesa, S.A.'s separate and consolidated financial statements and the half-yearly limited review as a result of inflation in Spain in accordance with contractual clauses agreed with Ernst & Young, S.L. and the new terms and conditions that amend the basis on which the fees were determined.
- ✓ Issued, to complete its duties of oversight of the statutory auditor's performance and contribution to the quality of the audit and the integrity of the financial information, at its meeting held in May 2018, the Final Assessment Report on the performance of the Statutory Auditor, based on the work and opinion of the Administration, Finance and Control Department and the Internal Audit Department. In the preparation of this report, the Audit and Compliance Committee focused the assessment on the following parameters: the frequency and quality of the communications, management's opinion about the statutory auditor, the auditor's transparency and practices of independence, and the public results of the quality controls performed by the supervisors and other available information.

II. APPOINTMENT AND REMUNERATION COMMITTEE

**A) APPOINTMENT AND REMUNERATION COMMITTEE
REPORT FOR 2018**



**APPOINTMENT AND REMUNERATION
COMMITTEE REPORT FOR 2018**

28 January 2019

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1. REGULATORY FRAMEWORK AND FUNCTIONS OF THE COMMITTEE

The Endesa Appointments and Remuneration Committee was formed voluntarily by the Board of Administrators in 1998.

Law 31/2014, amending Spain's Corporate Enterprises Act to improve corporate governance, made it mandatory, for the first time, to form one or two separate appointment and remuneration committees. Endesa decided not to separate the current Appointments and Remuneration Committee into two different committees (Appointments Committee and Remuneration Committee), since the composition of both would be practically identical, including the Company's five independent directors, and following the recommendations of the Code of Good Governance, the majority of the Committee members (comprising six members) must be independent, which would not avoid the potential source of conflict between the tasks related to the selection and proposal for appointing Directors and those related to their assessment and remuneration.

Therefore, at present, the Appointments and Remuneration Committee is regulated in articles 529 (13) and 529 (14) of Spain's Corporate Enterprises Act ("CEA"), and in accordance with this, the Company has regulated the operation and powers of the Committee in its Bylaws (Article 53) and Board Regulation (Article 24).

Additionally, the Endesa Appointments and Remuneration Committee, as stated in the remuneration policy of the Board of Directors, seeks to attract, maintain and motivate people with the right profile to carry out the duties inherent to the position of a Director of a company with the characteristics and peculiarities of Endesa.

As such, the Appointments and Remuneration Committee has the following duties:

- 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 objectives.
- C) To raise all proposals for nomination of Independent Directors to the Board of Directors for their appointment by co-option or by submission to decision of the Annual General Shareholders' Meeting, as well as all proposals for the re-election or removal of said Directors by the Annual General Shareholders' Meeting.
- D) To report all proposals for appointment of the remaining Directors to the Board of Directors for their appointment by co-option or by submission to decision of the Annual General Shareholders' Meeting, as well as all proposals for their re-election or removal by the Annual General Shareholders' Meeting.
- E) Inform and, if appropriate, propose to the Board of Directors the members to form part of the Executive Committee, where there is one, and each one of the Committees.

- F) To inform the Board of Directors about the proposals for the appointment or removal of Endesa's Senior Executives together with the key terms of their contracts, including remuneration.
- G) Inform the Board of Directors about the organisation of the Company according to the general principles established by the Board.
- H) To propose the adoption of remuneration arrangements for Senior Management that take into account the earnings of the companies. Also, it must ascertain and assess the Company's policy on executives, particularly in the areas of training, promotion and recruitment.
- I) To ensure that any potential conflicts of interest do not threaten the independence of any external advising provided to the Appointments and Compensation Committee.
- J) To assess and organise the succession of the Chairman of the Board of Directors and of the Company's Chief Executive Officer and, as the case may be, make proposals to the Board of Directors for such succession to occur in a seamless and orderly fashion.
- K) To propose the Directors' Compensation 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 remuneration of directors.

All these duties will be deemed to be without limitation and without prejudice to such other duties as may be entrusted to the Committee by the Board of Directors. The Board may require the Committee to prepare reports on matters falling specifically within its jurisdiction.

The Appointments and Remuneration Committee shall consult the Chairman and the Chief Executive Officer of the Company, especially when dealing with matters relating to Executive Directors and Senior Management. Any Director may request that the Appointments and Remuneration Committee take into consideration, if deemed suitable, potential candidates to fill vacancies in the position of Director.

2. COMPOSITION

The Appointments and Remuneration Committee is currently formed by:

Position	Board member	Date of Appointment	Position
Chairman	Miquel Roca Junyent	30.06.2009 19.09.2016*	External-Independent
Director	Alberto de Paoli	04.11.2014	External-Proprietary ⁽¹⁾
Director	Alejandro Echevarría Busquet	24.07.2012	External-Independent
Director	Helena Revoreda Delvecchio	04.11.2014	External-Independent
Director	Francisco de Lacerda	07.05.2015	External-Independent
Director	Ignacio Garralda Ruíz de Velasco	07.05.2015	External-Independent
Secretary	Borja Acha Besga	01.08.2015	

⁽¹⁾ Represents Enel

*Date of appointment as Chairman of the Appointments and Remuneration Committee

The Appointments and Remuneration Committee is formed by six non-executive members of the Board of Directors, five of which (83%) are independent, and specifically, Mr Roca is the Coordinating Director. The Committee also has a proprietary Director, representing the controlling shareholder Enel, which owns 70.10% of Endesa's shareholding.

The policy for selecting candidates for the office of director ensures that the proposed appointments of directors are based on a prior analysis, among others, of the requirements of the Board, the Appointments and Remuneration Committee, and favours diversity of knowledge, experience and gender, which is a reflection of Endesa's commitment to a plural composition in its governance bodies.

In particular, this Policy looks to integrate different professional and managerial experiences and competences, as well as promoting gender and age diversity to the extent possible.

- ✓ Gender: In 2018, the percentage of women on the Committee rose to 16.66%.
- ✓ Age: The average age on the Committee is 67, with ages ranging from 53 to 78.
- ✓ Time of service: in 2018, the average time of service of the Committee members was 4.8 years.
- ✓ The formation of directors in the Committee is diverse, and focuses on the disciplines of finance and risks, in particular areas, economic-financial, accounting and auditing, internal control and business risk management, and legal. As a group, the Directors have sufficient technical knowledge and experience to be able to carry out their work properly.
- ✓ By nationality, non-Spanish Committee members represent 50%.

Endesa is convinced that diversity, in all its facets and at all levels of its professional team, is an essential factor to ensure the Company's competitiveness and a key component of its corporate governance strategy that not only encourages critical stances, but also the expression of diverse viewpoints and positions and the analysis of their positive and negative characteristics.

The profile of the Appointments and Remuneration Committee is covered in Annex I.

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

DIRECTORS	QUALITIES AND SKILLS					DIVERSITY			
	Finance and Risks	Engineering	Legal	Management	Strategy	Years holding position	Nationality	Gender	Age
Miquel Roca Junyent	✓		✓	✓	✓	9	SPA	M	78
Alejandro Echevarría Busquet	✓			✓	✓	6	SPA	M	76
Alberto De Paoli	✓			✓	✓	4	ITA	M	53
Helena Revoredo Delvecchio	✓			✓	✓	4	ARG	F	71
Francisco de Lacerda	✓			✓	✓	3	PORT	M	58
Ignacio Garralda Ruíz de Velasco	✓		✓	✓	✓	3	SPA	M	67

3. COMMITTEE MEETINGS AND OPERATION

The operation of the Appointments and Remuneration Committee is defined in article 24 of the Regulations of the Board of Directors, which stipulates that the Committee will meet whenever convened by the Chairman, when the majority of its members so decide or at the request of the Board of Directors.

Committee meetings will take place at the Company's registered offices or at such other venue as may be determined by the Chairman and stated in the meeting notice. Committee meetings will be validly assembled when the majority of the Committee members attend in person or by proxy.

Resolutions must be adopted with the favourable vote of the majority of the Directors attending the meeting. In the event of a tie, the Chairman or Acting Chairman will have the casting vote.

The Appointments and Remuneration Committee may seek external advice, when it deems necessary for the performance of its duties as well as summon any employee or officer of the Company.

The Secretary of the Committee shall draft the minutes of the resolutions passed thereat and the Board will be informed of these resolutions. The minutes must be available to all Board members.

In 2018, the Appointments and Remuneration Committee met 9 times, with an average attendance of 94% in the sessions held.

See Annex I: The individual attendance by Director in 2018

Below is a list of the attendance to the Appointments and Remuneration Committee in 2018 by other non-Committee Directors and Executives, all of whom were invited:

Management	Recurring	One-off
<i>Chief Executive Officer</i>	√	
<i>Organisation and Human Resources</i>	√	
<i>Chairman of the Board of Directors</i>		√
<i>Internal Audit</i>		√

4. WORK CARRIED OUT IN 2018

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

Below are the main aspects covered by the Committee in 2018.

4.1. PROPOSALS FOR APPOINTMENT

Senior executives

In 2018, the Appointments and Remuneration Committee informed the Board of Directors about the following proposals for the appointment and removal of Senior Executives, all of which were approved by the Board of Directors:

- Removal of Manuel Morán Casero as General Manager of Thermal Generation.
- Removal of Paolo Bondi as General Manager of Administration, Finance and Control and Appointment as General Manager of Thermal Generation.
- Appointment of Luca Passa as General Manager of Administration, Finance and Control.
- Removal of Francesco Amadei as General Manager of Infrastructure and Networks.
- Appointment of Gianluca Caccialupi as General Manager of Infrastructure and Networks.
- Removal of Álvaro Quiralte Abelló as General Manager of Energy Management.
- Appointment of Juan María Moreno Mellado as General Manager of Energy Management and removal as General Manager of Nuclear.
- Appointment of Gonzalo Carbó de Haya as General Manager of Nuclear.
- Removal of Enrique de las Morenas Moneo as General Manager of Renewable Energies.

- Appointment of Rafael González Sánchez as General Manager of Renewable Energies.
- Removal of Luca Minzolini as General Manager of Internal Audit.
- Appointment of Patricia Fernández Salis as General Manager of Audit.

Board of Directors

In 2018, the Appointments and Remuneration Committee informed the Board of Directors about the following proposals for the appointment and re-election of Directors, all of which were approved by the 2018 General Shareholders' Meeting:

- Re-election of José Damián Bogas Gálvez as Executive Director.
- Ratification of the Appointment by co-option and re-election of Maria Patrizia Grieco as Proprietary Director.
- Re-election of Francesco Starace and Enrico Viale as Proprietary Directors.

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

- Appointment of José Damián Bogas Gálvez as Chief Executive Officer.
- Appointment of José Damián Bogas Gálvez as a member of the Executive Committee of the Board of Directors as executive director.
- Appointment of Francesco Starace as a member of the Executive Committee of the Board of Directors as proprietary director.

4.2. REMUNERATION PROPOSALS, REPORTS AND POLICIES

The Committee's main actions in matters of remuneration in the period covered by this report were:

Remuneration of senior management.

- In relation to the Senior Management, the Committee reported favourably on remuneration measures in 2018 for certain members of the Executive Management Committee.

Remuneration for senior directors.

- ✓ Short-term variable remuneration

The Appointments and Remuneration Committee favourably reported to the Board of Directors on the proposal for the short-term variable remuneration of the Chairman and the corresponding CEO with the assessment of their 2017 objectives and the conclusion thereof for the 2018 financial year.

- ✓ Long-term remuneration.

With regard to long-term remuneration, the Committee reported favourably on the 2018-2020 Endesa Loyalty Plan Programme prior to the proposal of the Board of Directors, approved by the Annual General Shareholders' Meeting on 23 April 2018. It also reported favourably on the beneficiaries and the Regulations of said Programme.

The Committee also informed the Board of Directors about the results of the 2015-2017 Loyalty Programme.

2017 Annual Report on Endesa Directors' Remuneration

The Committee, with the collaboration of the Internal Auditor, verified the information of the 2017 Endesa Annual Director's Remuneration Report and reported favourably to the Board of Directors, so the Report was submitted as binding to the Annual General Shareholders' Meeting, which approved with a vote in favour from 96% of the shareholders.

The Committee was also informed about the modifications introduced by the CNMV in the template for the Annual Report on Directors' Remuneration in its Circular 2/2018 published on 16 July 2018, which will be applicable to the 2018 Annual Report of the Directors' Remuneration.

Directors' Remuneration Policy

Regarding the Remuneration Policy, the Appointments and Remuneration Committee agreed to propose the 2018-2020 Remuneration Policy for Endesa, S.A. Directors to the Company's Board of Directors, which follows on from the 2016-2018 Remuneration Policy. The Committee also approved its justifying Report, which aims to explain the criteria used by the Committee to propose the Remuneration Policy for Endesa's Directors to the Board.

4.3. POLICY FOR SELECTING CANDIDATES FOR ENDESA DIRECTORS AND PROMOTION OF DIVERSITY

Verification of the compliance of the Policy for selecting candidates to be Endesa Directors

No procedures for selecting new candidates for Directors were developed in 2018. However, the Appointments and Remuneration Committee verified the level of compliance of the policy for selecting candidates for the office of Endesa directors, that the composition of the Board of Directors, in terms of number of members, structure and the professional experience and skills of its members, is currently appropriate based on the needs of the Company and in line with best corporate governance practices.

The current composition of Endesa's Board of Directors and the classification of its Directors are as follows:

Directors	Number	Percentage
Executive	2	18,18%
External-Proprietary	4	36,36%
External-Independent	5	45,45%
Female	2	18,18%

The composition of the Board of Directors, in terms of the number of members, structure, and professional experiences and competencies of its members, is currently considered appropriate for the needs of the Company and in accordance with the best corporate governance practices. To this end:

- ✓ No procedures for selecting new candidates for Directors were developed in 2018.
- ✓ The procedures for re-election and ratification carried out in 2018, for Francesco Starace, Enrico Viale, José D. Bogas Gálvez and María Patrizia Grieco, included a prior analysis of the Board's needs and the conditions that directors must meet to exercise their positions, and the dedication required to adequately perform their duties.
- ✓ The appointment and re-election of the Board and Patrizia Grieco is a testament to Endesa's dedication to promoting the participation and development of women in the Organisation, especially in leadership positions and, in particular, on the Board of Directors and to promoting the objective of female directors accounting for at least 30% of Board members by 2020.

DIRECTORS	QUALITIES AND SKILLS					DIVERSITY			
	Finance and Risks	Engineering	Legal	Management	Strategy	Years holding position	Nationality	Gender	Age
Borja Prado Eulate	✓		✓	✓	✓	11	SPA	M	62
Francesco Starace	✓	✓		✓	✓	4	ITA	M	63
José Bogas Gálvez	✓	✓		✓	✓	4	SPA	M	63
Alberto De Paoli	✓			✓	✓	4	ITA	M	53
Miquel Roca Junyent	✓		✓	✓	✓	9	SPA	M	78
Alejandro Echevarría Busquet	✓			✓	✓	9	SPA	M	76
Maria Patrizia Grieco	✓		✓	✓	✓	1	ITA	F	66
Enrico Viale	✓	✓		✓	✓	4	ITA	M	61
Helena Revoredo Delvecchio	✓			✓	✓	4	ARG	F	71
Ignacio Garralda Ruíz de Velasco	✓		✓	✓	✓	3	SPA	M	67
Francisco de Lacerda	✓			✓	✓	3	PORT	M	58

4.4. REPORT ON ACTIVITIES OF THE APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee unanimously approved its 2017 Activities Report for publication on the Company's website for the Annual General Shareholders' Meeting.

5. ASSESSMENT OF THE BOARD OF DIRECTORS' APPOINTMENTS AND REMUNERATION COMMITTEE

In 2018, the Committee was made aware of the results of its 2017 self-assessment, included in the general assessment of the Company's Board of Directors, and expressed its agreement and satisfaction with the results obtained.

It was also made aware of and expressed its satisfaction with the results of the assessment process for the Board of Directors and its Committees, and favourably informed about the proposal of an action plan to correct the shortfalls detected, which was submitted for the consideration of the Company's Board of Directors.

It also reported favourably on the verification of the independence of the external advisors who submitted a bid to assess the Board of Directors and its Committees. The Committee proposed that for 2018, it would assess the Board and its Committees with the help of the external consultants, Deloitte.

6. EXTERNAL CONSULTANCY

The Committee may seek external advice, when it deems necessary for the performance of its duties, pursuant to article 24 of the Regulation of the Board of Directors. It may call a meeting with any employee or executive of the Company. This faculty shall be exercised through the Secretary of the Board of Directors.

In accordance with the Code of Good Governance of Listed Companies (CNMV) and with the Regulations of the Endesa Board of Directors, the Appointments and Remuneration Committee verified the independence of the external advisors who submitted a bid for the 2018 assessment of the Board of Directors and that of its Committees.

7. CONCLUSIONS

The purpose of the 2018 Report on the Activity of the Appointments and Remuneration Committee is to allow shareholders and other stakeholders to understand the duties and work carried out by the Committee, and to comply with recommendation 6 of the Code of Good Governance of listed companies, which establishes that listed companies must prepare, among other reports, the report on the operation of the appointments and remuneration committee and publish it on its website prior to the general shareholder's meeting, even if its dissemination is not mandatory. The Report will be included within the "Comprehensive Report regarding Audit and Compliance and Appointments and Remuneration Committees".

8. DATE ON WHICH THE APPOINTMENTS AND REMUNERATION COMMITTEE CREATED THE REPORT AND DATE ON WHICH IT WAS APPROVED BY THE BOARD OF DIRECTORS.

This report shall be drafted by the Appointments and Remuneration Committee to be approved by Endesa's Board of Directors on 28 January 2019, and shall be published on the company's website prior to the 2019 Annual General Shareholders' Meeting.

ANNEX I

PERSONALIZED ATTENDANCE AT BOARD AND
COMMITTEE MEETINGS IN 2018

Annex I

**PERSONALIZED ATTENDANCE PERCENTAGES AT BOARD
AND COMMITTEE MEETINGS IN 2018**

BOARD OF DIRECTORS	
Directors	Total Attendance (1)
Borja Prado Eulate	13/13
Francesco Starace	13/13
José D. Bogas Gálvez	13/13
Alberto de Paoli	13/13
Miquel Roca Junyent	13/13
Alejandro Echevarría Busquet	13/13
Enrico Viale	13/13
Helena Revoredo Delvecchio	13/13
Ignacio Garralda Ruíz de Velasco	13/13
Francisco de Lacerda	13/13
Maria Patrizia Grieco	13/13

AUDIT AND COMPLIANCE COMMITTEE	
Directors	Total Attendance (1)
Alberto de Paoli	8/11
Miquel Roca Junyent	11/11
Alejandro Echevarría Busquet	11/11
Helena Revoredo Delvecchio	10/11
Ignacio Garralda Ruíz de Velasco	11/11
Francisco de Lacerda	11/11

APPOINTMENTS AND COMPENSATION COMMITTEE	
Directors	Total Attendance (1)
Alberto de Paoli	8/9
Miquel Roca Junyent	9/9
Alejandro Echevarría Busquet	9/9
Helena Revoredo Delvecchio	9/9
Ignacio Garralda Ruíz de Velasco	9/9
Francisco de Lacerda	9/9

(1) Attendance by proxy granted with specific instructions shall be deemed attendance.