

ANNEX 1

ANNUAL REPORT ON COMPENSATION OF DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

ISSUER'S IDENTIFICATION

FISCAL YEAR CLOSING DATE	31/12/2016
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SPANISH TAX ID (C.I.F.)	A-28023430
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COMPANY NAME
ENDESA, S.A.

REGISTERED OFFICE
RIBERA DEL LOIRA, 60, MADRID

FORM OF ANNUAL REPORT ON COMPENSATION OF DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

A. COMPANY COMPENSATION POLICY FOR THE CURRENT YEAR

A.1 Please explain the Company's compensation policy. This section will include information on:

- General principles and foundations of the compensation policy.
- Most significant changes to the compensation policy with respect to the previous year's policy, as well as any modifications made during the year to the conditions of exercising options already awarded.
- Criteria used and composition of groups of comparable companies whose compensation policies have been examined to establish the company's compensation policy.
- Relative importance of variable compensation items in relation to fixed compensation items and criteria followed for determining the different components of the compensation package of the directors (compensation mix).

Explain the compensation policy

- Endesa's Directors' Compensation Policy was approved at the last meeting of the Annual General Shareholders' Meeting on April 26, 2016 for fiscal years 2016, 2017 and 2018, and the 2017 Annual General Shareholders' Meeting is not expected to make any amendments to said policy.

Nevertheless, it should be noted that, in accordance with the terms of the Policy set forth in section 3.3 ("Revision of Executive Directors' Compensation"), Endesa's Board of Directors, following a proposal from the Appointments and Compensation Committee, at its meeting on February 22, 2017, resolved to update the annual compensation of the Chief Executive Officer, José Damián Bogas Gálvez. An annual increase in fixed income of €40 thousand was approved for the Chief Executive Officer, in no way entailing an increase in annual short-term variable compensation, which will be calculated based on established targets independent of fixed compensation. This increase represents a 3.5% increase in annual compensation (fixed + short-term variable compensation). Furthermore, as regards long-term variable compensation, as the case may be, the targets under the 2017-2019 Loyalty Plan are expected to increase by €28 thousand at the time of approval, to be received, as the case may be, from 2020 onwards (see sections A.3 and A.4).

The total compensation ultimately proposed is in line with market practice for comparable companies with similar levels of responsibility and is also in line, *inter alia*, with information on performance of the Spanish salary market and its growth projections.

In any case, in view of this change, this Report will be submitted to a binding vote at the meeting of Endesa's Annual General Shareholders' Meeting for 2017.

- Endesa's Compensation Policy is in line with the recommendations of national and international Corporate Governance regulations. Its main objective is to retain, attract and motivate the best people, ensuring the maintenance of internal fairness and external competitiveness, and establishing compensation commensurate with best market practices.

Therefore, Endesa's Compensation Policy takes into consideration shareholders' interests and prudent risk management. Endesa works to achieve economic and financial performance which ensure the maintenance and increase in company value in order to adequately compensate shareholders for the risks assumed in making a capital investment.

Endesa's compensation system aims to adequately compensate its Directors, in accordance with the principles of fairness, dedication and responsibility. Director compensation is calculated in reasonable proportion to the importance and economic situation of the Company as well as to the market standards of comparable companies.

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

The compensation of Directors for carrying out executive functions shall be established in an agreement executed between the Company and each Director. The Board of Directors must approve this agreement by the favorable vote of two thirds of its members with the affected Director not in attendance and abstaining from the vote.

Both the Chief Executive Officer and all Shareholder-Appointed Directors representing Enel have waived their right to compensation arising from their status as Directors.

The compensation of Endesa's Senior Executives is aimed primarily at creating value for stakeholders, based on the sustainable performance of people and the actual achievement of returns in the medium and long-term.

The Board of Directors shall establish the basic contracting conditions, including compensation, for all senior management that report directly to the Board or one of its members. The senior executive contract requires exclusive dedication, unless expressly authorized otherwise, meaning that it requires the senior executive's full dedication to Endesa such that he/she may not carry out any other activities on his/her own behalf or externally for any other companies or third parties.

-In accordance with Recommendation 64 of the Corporate Governance Code for listed companies, approved in February 2015, a maximum limit of two years of total annual compensation shall be established for payments for termination of contracts with newly hired Senior Officers of the Company or its Group; as well as with all Executive Directors.

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

The long-term variable compensation system for Executive Directors includes the option of compensation linked to share value.

The purpose of this system is to strengthen the Executive Directors' commitment to creating shareholder value and achieving medium and long-term growth for the company. The specified scheme sets Endesa's TSR (Total Shareholder Return) as a primary target, which will enable Endesa's value in relation to the market and its main competitors to be measured. Furthermore, in order to reinforce the link to the creation of shareholder value, a mechanism for correcting the results in the event Endesa's TSR is negative, despite being above the benchmark, is provided.

- In developing and proposing amendments to the Compensation Policy, approved in fiscal year 2016 and applicable to fiscal years 2016, 2017 and 2018, the Board, following a report by the Appointments and Compensation Committee, ensures that compensation is aimed at promoting the Company's long-term profitability and sustainability and to include the necessary precautions to prevent excessive assumption of risk and rewarding unfavorable results.

In accordance with Article 217.4 of the Spanish Capital Corporations Law, which states that Director compensation shall in all cases be reasonably proportional to the Company's relevance, economic situation from time to time and market standards for comparable companies, Director compensation shall be regularly reviewed.

- The compensation structure for Executive Directors and senior management guarantees an adequate mix between fixed compensation, ordinary variable compensation and long-term variable compensation. While the first component is based on the level of responsibility assigned, the other two are conditional on attaining the objectives previously established by the most rigorous procedures. Target short and long-term variable compensation for Executive Directors shall account for at least 50% of total annual compensation payable thereto and shall be linked to a metric ensuring compensation for exceeding performance targets and shall also include a minimum threshold below which no right to this kind of compensation shall accrue. The total compensation for Executive Directors may vary between a minimum, represented by fixed compensation, and a maximum, which can be attained by exceeding targets. In these cases, variable compensation will represent more than 60% of total compensation.

Furthermore, certain additional benefits (e.g. healthcare policy or company car) are established in accordance with market standards for Senior Executives.

A.2 Information on the preparatory works and decision-making process followed for determining the compensation policy and role performed, where appropriate, by the Compensation Committee and other control bodies in shaping the compensation policy. This information will include, where appropriate, the mandate and composition of the Compensation Committee and the identity of external advisers whose services have been used to define the compensation policy. The character of the directors, if any, that were involved in defining the compensation policy should also be included.

Explain the process for determining the compensation policy
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- As stated in section A.1, Endesa's Directors' Compensation Policy, which continues in force, was approved at the last meeting of the Annual General Shareholders' Meeting on April 26, 2016 for fiscal years 2016, 2017 and 2018, and the 2017 General Shareholders' Meeting is not expected to make any amendments to said policy.

In this regard, the process for determining the Compensation Policy was described as follows in the Annual Compensation Report for fiscal year 2015:

In accordance with Article 529 *novodecies*, Endesa's Directors' Compensation Policy shall be approved by the General Shareholders' Meeting, as a separate agenda item, at least every three years.

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

For purposes of reviewing and establishing director compensation for fiscal year 2016, the following items, *inter alia*, were taken into account: recent regulatory updates; Law 31/2014, of December 3, amending the Capital Corporations Law for the improvement of corporate governance; international best corporate governance practices in relation to compensation; and the Annual Report on Compensation of Directors of Listed Companies, issued by the CNMV.

In this regard, in December 2015, the Appointments and Compensation Committee analyzed Endesa's Directors' Compensation Policy based on an in-depth study of the Annual Report on Compensation of Directors of Listed Companies for fiscal year 2014, issued by the CNMV, and other annual compensation reports from comparable companies. The criteria used to properly define the relevant market for the analyses carried out include: geographic area (companies headquartered in Spain), sector (energy sector) and size factors (market capitalization and IBEX 35 listed companies).

The Board of Directors, at the proposal of the Appointments and Compensation Committee, is the body in charge of determining the exact amount to be paid to Directors in each fiscal year, subject to the limits set forth by the General Shareholders' Meeting, as well as allocating the amount between the compensation items detailed in the Bylaws and between the Directors in the manner, time and proportion as freely determined, taking into account the functions and responsibilities entrusted to each Director, whether they belong to any of the Board's Committees and all other relevant objective circumstances. The amounts received by the Directors for performing their duties are set in line with the listed companies market. As of the date hereof, there have been no changes from fiscal year 2016 as regards the amount of compensation for Directors in their condition as such.

The Board of Directors, based on in-house advising, draws up and publishes this annual Directors' Compensation Report, which includes the amounts received or which may be received in relation to their status as Directors and, as the case may be, for carrying out executive duties. The Appointments and Compensation Committee verifies the information provided on the compensation of Directors and Senior Executives in, *inter alia*, the aforesaid Compensation Report.

In general, the Appointments and Compensation Committee relies on internal advising provided by the Company and, as the case may be, external advisors, carrying out analyses with a view to ensuring that best corporate governance practices are followed. The principle of transparency covers all compensation components and items, including severance pay in cases of termination.

The Appointments and Compensation Committee shall be formed by a minimum of three and a maximum of six Non-Executive Directors of the Board of Directors, and at least two of them shall be Independent Directors. As of the date of issue of this Report, the Committee is made up of six Non-Executive Directors, five independent directors, including the Committee Chairman, and one Shareholder-Appointed Director. Miquel Roca Junyent was appointed as Committee Chairman in September 2016 as a replacement for Alejandro Echevarría Busquet whose mandate had expired.

- Miquel Roca Junyent (Chairman)
- Alejandro Echevarría Busquet (Independent Director)
- Ignacio Garralda Ruiz de Velasco (Independent Director)
- Francisco de Lacerda (Independent Director)
- Helena Revoredo Delvecchio (Independent Director)
- Alberto de Paoli (Shareholder-Appointed Director)

A.3 Indicate the amount and nature of the fixed components, itemizing where appropriate any compensation for the performance of senior management functions by executive directors, additional compensation for the chairman or members of any board committee, allowances for participating in the Board and its committees or other fixed compensation as a director, as well as an estimate of the annual fixed compensation to which they give rise. Identify other benefits that are not paid in cash and the basic criteria on which they are awarded.

Explain the fixed components of the compensation

The compensation of directors, for their condition as such, consists of a monthly fixed compensation and attendance allowances for each meeting of the governing bodies of the Company and its Committees.

The amount of monthly "fixed compensation" applied in fiscal year 2016 (approved by the Board on January 21, 2013) will be maintained for fiscal year 2017, totaling €15.6 thousand (gross), plus €1 thousand monthly (gross) for the position of Chairman of the Audit and Compliance Committee and of the Appointments and Compensation Committee, and €2.1 thousand monthly (gross) for the Coordinating Director (approved at the Board meeting on January 25, 2016), in view of the enhanced dedication and responsibility inherent in these positions, with the duties set forth in Law 31/2014, of December 3, 2014, amending the Capital Corporations Law for the improvement of corporate governance and in the Corporate Governance Code for listed companies.

The total attendance allowance amount of €1.5 thousand (gross), approved by the Board on January 21, 2013, will remain unchanged for fiscal year 2017.

Consequently, estimated Directors' compensation for fiscal year 2017 will vary between €187 thousand and €224 thousand (gross per Director) as monthly fixed compensation, and approximately (depending on the number of meetings held by the Board and its Committees) €57 thousand (gross per Director) as attendance allowances.

It should also be pointed out that only Independent Directors and the Chairman receive compensation for their membership on the Board (fixed compensation and allowances). The remaining Directors have all waived their right to compensation arising from their membership on the Board.

On April 27, 2015, the General Shareholders' Meeting approved maximum annual compensation of €3,000 thousand for the Directors as a whole based on their condition as such. This amount shall remain in effect until such time as an amendment thereto may be approved.

The compensation referred to in the preceding paragraphs, arising from membership on the Board of Directors, is compatible with other professional or employment compensation accruing to the Directors for any other executive or advisory functions which, where appropriate, they perform for the Company other than such supervisory and decision-making duties as may pertain to their posts as Directors, which shall be subject to the applicable legal provisions.

The amount of the fixed components and particularly, according to the definitions of Circular 5/2013, of the Spanish Securities

Market Commission, the "salaries" of the two Executive Directors (Chairman and CEO) who receive compensation as such, according to their specific schemes, beyond their activities as Directors, will be proposed by the Appointments and Compensation Committee to the Board and will be brought into line with the Directors' Compensation Policy and subject to the transparency obligation.

As previously mentioned, the "salaries" of the Chairman and CEO are primarily determined by the level of responsibility assigned and, secondarily, by their career path. This compensation reaches a sufficient proportion in relation to total compensation to make the management of the variable components sufficiently flexible.

Annual fixed compensation for the Chairman, Borja Prado Eulate, remains unchanged for fiscal year 2017 from the terms approved in the Compensation Policy on April 26, 2016, for fiscal years 2016, 2017 and 2018, totaling €1,132 thousand.

As regards fixed annual compensation for the CEO, José Damián Bogas Gálvez, the Board of Directors agreed to a €40 thousand increase, resulting in compensation of €740 thousand, subject to approval of this Report at the next Annual General Shareholders' Meeting.

A.4 Explain the amount, nature and main features of the variable components of the compensation systems.

In particular:

- Identify each of the compensation plans of which the directors are beneficiaries, their scope, date of approval, date of implementation, validity period and their main features. For plans involving share options of other financial instruments, the general features of the plan should include information on the conditions for each plan regarding exercising those options or financial instruments.
- Indicate any compensation in terms of profit sharing or bonuses, and the reason why they were awarded.
- Explain the basic parameters and grounds for any system of annual bonuses.
- The types of directors (executive directors, external shareholder-appointed directors, external independent directors or other external directors) who are beneficiaries of compensation systems or plans that include variable compensation.
- The basis of those variable compensation systems or plans, the performance assessment criteria chosen, as well as the assessment components and methods to determine whether or not that assessment criteria has been fulfilled and an estimate of the total amount of variable compensation to which the current compensation plan would give rise, depending on the extent to which the hypotheses and objectives taken as a reference are fulfilled.
- Where appropriate, any payment deferral periods established and/or retention periods of shares or other financial instruments will be reported.

Explain the variable components of the compensation systems
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In fiscal year 2017, just as in 2016, the Executive Directors will receive short and long-term variable compensation in order to encourage greater commitment to attaining the Company's short and long-term objectives.

These objectives will be linked to variables based on performance and financial and non-financial criteria and shall be predetermined, quantifiable, measurable and in line with the Company's strategy, and shall also promote the long-term stability and profitability of the Company. The Board of Directors, at the proposal of the Appointments and Compensation Committee, shall establish the targets for each of the Executive Directors on an annual basis and which shall be brought in line with the 2016-2018 Directors' Compensation Policy.

The variable compensation established for Executive Directors is covered by clauses enabling payments to be deferred long enough to confirm that the objectives have been met, and are also subject to clawback clauses.

Target short and long-term variable compensation for Executive Directors shall account for at least 50% of total annual compensation payable thereto and shall be linked to a metric ensuring compensation for exceeding performance objectives and shall also include a minimum threshold below which no right to this kind of compensation shall accrue. The total compensation for Executive Directors may vary between a minimum, represented by fixed compensation, and a maximum, which can be attained by exceeding targets. In these cases, variable compensation will represent more than 60% of total compensation. Variable compensation shall be paid entirely in cash.

Short-Term Variable Compensation

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

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

- Economic-Financial: EBITDA (gross operating profit), Net Profits, Cash-Cost (fixed operating costs and maintenance investments), FFO (funds from operations, cash-flows before dividends, gross investments and extraordinary transactions), regulated business margin, trade margin, integrated business margin, OPEX (fixed operating costs), Net Debt, CAPEX (material investments).

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

Corporate governance, corporate social responsibility and sustainability targets, as well as targets linked to the individual performance of the Directors, may also be established.

Each target will be weighted based on its relative importance. Achievement levels are established for each target based on their level of demand, including a minimum performance threshold below which no right to incentive payment shall arise, a target level set at 100% and a maximum level, up to 120%, for surpassing objectives.

The Board of Directors, at the proposal of the Appointments and Compensation Committee, is in charge of establishing the objectives and their weighting and achievement metrics at the beginning of each fiscal year, as well as for assessing achievement levels at the end of the year. The Appointments and Compensation Committee shall, based on the performance level and weighting of each target, determine a weighted average performance level that will be used as the base for calculating annual incentives.

The targets established for Executive Directors in fiscal year 2017 are linked to:

- Net Profits: 20% weight
- Cash-Cost (total recurring fixed costs from income statement + gross maintenance investments including contributions and assignments): 20% weight
- FFO (Cash-flow before dividends, gross investments and extraordinary transactions): 20% weight
- Strategic Business Projects: 20% weight
- Safety (linked to action plan and accident rate reduction): 20% weight

Target short-term variable compensation for fiscal year 2017, just as in fiscal year 2016, for the Chairman and CEO is €708 thousand and €450 thousand, respectively; in both cases, the maximum value may reach 120%.

Variable compensation based on the Company's profit shall be paid out once the General Shareholders' Meeting has approved the annual financial statements and, if any reservations are expressed in the external audit report, the amount of said profit shall be reduced accordingly.

Long-Term Variable Compensation

With a view to fostering the commitment and retention of Executive Directors and the creation of long-term shareholder value, long-term variable compensation schemes linked to the achievement of the Company's objectives relating to its strategic plans shall be established.

Long-term variable compensation at Endesa is set out in the so-called Loyalty Plan whose main goal is to strengthen the commitment of employees occupying positions with high responsibility for achieving the Group's strategic objectives. The Plan is structured through successive three-year programs. From January 1, 2010, a new program is started every year. Since 2014, the plans provide for deferred payment and require that the Director be active at the time payment is made; these payments are made in two installments: 30%, if applicable, in the year after the plan ends, and the remaining 70%, if applicable, two years after termination of the plan.

The Board of Directors shall, at the proposal of the Appointments and Compensation Committee, be in charge of establishing objectives and determining if said objectives have been met.

A threshold level beyond which the target is considered met up to 50% and two performance levels for targets that have been overachieved is established for each target - performance beyond the first level equals 150% and performance beyond the second level constitutes maximum achievement of 180%. Therefore, variable compensation levels for each of the Programs will range from 0%-180% of the incentive base (target equals 100% achievement).

Long-term variable compensation targets are tied to creating shareholder value, which is measured in reference to Endesa's share price, EPS, TSR, ROACE and other indicators related to the strategic plan established by the Company.

The long-term variable compensation targets for the 2015-2017 program are in line with creating shareholder value and are weighted as follows:

60% "Total Shareholder Return" (TSR): average TSR of Endesa compared to average TSR of the selected benchmark, Euro-Stoxx Utilities Index, for the accrual period.

The TSR target achievement will be measured on the basis of the performance scale set forth below (using linear interpolation between the thresholds). No payment shall be made for performance falling under the minimum threshold. The established thresholds are:

- If Endesa's TSR exceeds 120% of the TSR of the Euro Stoxx Utilities Index, the multiplier shall be 180%;
- If Endesa's TSR is between 110%-120% of the TSR of the Euro Stoxx Utilities Index, the multiplier shall be 150%;
- If Endesa's TSR is between 100%-110% of the TSR of the Euro Stoxx Utilities Index, the multiplier shall be 100%;
- If Endesa's TSR is between 80%-100% of the TSR of the Euro Stoxx Utilities Index, the multiplier shall be 50%;
- If Endesa's TSR is less than 80% of the TSR of the Euro Stoxx Utilities Index, the multiplier shall be 0%. It is understood that the Reward granted in relation to the TSR shall not exceed 100% of the assigned value base in the event that Endesa's TSR, although exceeding its peer group, is negative in absolute terms. Thus, in such case, the multipliers of 180% and 150% could not be applied.

In order to assess the extent to which targets have been met, the average TSR of Endesa and the Euro Stoxx Utilities Index shall be calculated for the period preceding implementation of the plan and once three years have elapsed.

40% "Return On Average Capital Employed" (ROACE), calculated as Endesa's total cumulative ROACE for the accrual period. Endesa's cumulative ROACE target, represented by the ratio between ordinary operating income (ordinary EBIT) and Average Net Invested Capital, shall be valued on a cumulative basis for the accrual period according to the performance scale set forth herein below (using linear interpolation between the thresholds).

- If Endesa's cumulative ROACE for the three-year period from 2015-2017 is up 6.7% or more from the 2015-2019 Business Industrial Plan (hereinafter "BIP"), the multiplier will be 180%;
- If Endesa's cumulative ROACE for the three-year period from 2015-2017 is up 4% from the 2015-2019 BIP, the multiplier will be 150%;
- If Endesa's cumulative ROACE for the three-year period from 2015-2017 is equal to the 2015-2019 BIP, the multiplier will be 100%;
- If Endesa's cumulative ROACE for the three-year period from 2015-2017 is down 2.7% or less from the 2015-2019 BIP, the multiplier will be 50%;
- If Endesa's cumulative ROACE for the three-year period from 2015-2017 is down more than 2.7% from the 2015-2019 BIP, the multiplier will be 0%.

The target value for the 2015-2017 program for the Chairman and CEO is €568 thousand and €470 thousand, respectively; in both cases, the maximum value may reach 180%.

The targets for the 2016-2018 program are the same as the previous program, referring to the three-year period from 2016-2018 and taking the 2016-2019 BIP as a benchmark.

60% "Total Shareholder Return" (TSR): average TSR of Endesa compared to average TSR of the selected benchmark, Euro Stoxx Utilities Index, for the accrual period.

The TSR target achievement will be measured on the basis of the performance scale set forth below (using linear interpolation between the thresholds). No payment shall be made for performance falling under the minimum threshold. The established thresholds are:

- If Endesa's TSR exceeds 120% of the TSR of the Euro Stoxx Utilities Index, the multiplier shall be 180%;
- If Endesa's TSR is between 110%-120% of the TSR of the Euro Stoxx Utilities Index, the multiplier shall be 150%;
- If Endesa's TSR is between 100%-110% of the TSR of the Euro Stoxx Utilities Index, the multiplier shall be 100%;
- If Endesa's TSR is between 80%-100% of the TSR of the Euro Stoxx Utilities Index, the multiplier shall be 50%;
- If Endesa's TSR is less than 80% of the TSR of the Euro Stoxx Utilities Index, the multiplier shall be 0%. It is understood that the Reward granted in relation to the TSR shall not exceed 100% of the assigned value base in the event that Endesa's TSR, although exceeding its peer group, is negative in absolute terms. Thus, in such case, the multipliers of 180% and 150% could not be applied.

In order to assess the extent to which targets have been met, the average TSR of Endesa and the Euro Stoxx Utilities Index shall be calculated for the period preceding implementation of the plan and once three years have elapsed.

40% "Return On Average Capital Employed" (ROACE), calculated as Endesa's total cumulative ROACE for the accrual period. Endesa's cumulative ROACE target, represented by the ratio between ordinary operating income (ordinary EBIT) and Average Net Invested Capital, shall be valued on a cumulative basis for the accrual period according to the performance scale set forth herein below (using linear interpolation between the thresholds).

- If Endesa's cumulative ROACE for the three-year period from 2016-2018 is up +6.8% or more from the 2016-2020 Business Industrial Plan (hereinafter "BIP"), the multiplier will be 180%;
- If Endesa's cumulative ROACE for the three-year period from 2016-2018 is up +4.2% from the 2016-2020 BIP, the multiplier will be 150%;
- If Endesa's cumulative ROACE for the three-year period from 2016-2018 is equal to the 2016-2020 BIP, the multiplier will be 100%;
- If Endesa's cumulative ROACE for the three-year period from 2016-2018 is down 2.6% or less from the 2016-2020 BIP, the multiplier will be 50%;
- If Endesa's cumulative ROACE for the three-year period from 2016-2018 is down more than 2.6% from the 2016-2020 BIP, the multiplier will be 0%.

The targets for the 2016-2018 program for the Chairman and CEO is €568 thousand and €490 thousand, respectively; in both cases, the maximum value may reach 180%.

Following the long-term variable compensation policy, a new loyalty program for 2017-2019 is expected to be implemented in 2017, subject to prior approval of the Board of Directors and of the General Shareholders' Meeting. In this regard, it should be noted that the Board of Directors has approved an increase for the CEO, José Damián Bogas Gálvez, of €28 thousand, to the target under said 2017-2019 Loyalty Plan, thus totaling €518 thousand.

Expost Control of Variable Compensation: as regards short and long-term variable compensation, a "malus" clause will be implemented, authorizing the company to withhold payments of any accrued and outstanding variable compensation and a clawback clause requiring directors to return any variable compensation received where following payment of the incentive it is found that the data used for such calculation or payment was clearly erroneous.

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

A.5 Explain the main features of the long-term savings systems, including retirement and any other survivor benefits, partially or wholly funded by the company, whether provided internally or externally, estimating their amount or equivalent annual cost and indicating the type of plan, whether defined benefit or contribution, the conditions of the vested economic rights of the directors and their compatibility with any type of compensation for early termination of the contractual relationship between the company and the director.

Please also identify any contributions made to defined contribution pension schemes on behalf of the director; or the increase in vested rights of the director in the event of contributions to defined benefit plans.

Explain the long-term savings systems
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Non-Executive Directors do not participate in any long-term savings systems.

The Executive Directors and Senior Executives are beneficiaries of a Supplemental Social Welfare System to cover the contingencies of retirement, disability and death. That system is implemented through contributions to the "Endesa Group Employees' Pension Plan" in which the executive is a participant depending on which company they were hired by and when, and additional contributions made to an insurance policy or similar instrument for that purpose.

Contributions to the Chairman's defined contribution saving scheme in fiscal year 2016 totaled €282 thousand.

A defined benefit saving scheme has been established for the Chief Executive Officer based on his seniority and history with the Endesa Group. A total of €310 thousand was contributed to this scheme in 2016. This scheme is separate from the pre-retirement conditions referred to in A.6.

As regards the rights accrued under these savings systems, the Chairman had rights to €1,932 thousand as of 12/31/2016, and the CEO had €9,809 thousand, as specified in Table D.1 ajiii.

Regarding the coverage of disability and death, Endesa has signed a life and accident insurance policy which guarantees certain capital and/or income depending on the contingency in question.

A.6 Indicate any compensation agreed or paid in case of termination of duties as a director.

Explain the compensation

Conditions for the Chairman.

The cases for termination as set forth in the Chairman's contract, which are similar to those established for the Company's other Senior Officers, are regulated as follows:

- a) By mutual agreement. As expressly agreed by the parties. At the least, the indemnity provided for in paragraph c) will be applicable.
 - b) By the unilateral decision of the Chairman. Termination of the agreement requires at least three months notice and does not generate any right to an indemnity in favor of the Chairman.
 - c) By decision or removal at free will of the company. ENDESA shall give notice of the decision to terminate in writing with at least three months notice and must pay for, as the case may be, any months for which the advanced notice requirement was not met. In such case, the Chairman shall have the right to receive an indemnity of 2.8691 times his/her most-recent annual compensation. All of the above is without prejudice to payment of the assets to which the director is entitled and regarding the social welfare rights which, as the case may be, he/she holds.
 - d) For serious, culpable misconduct of the director while performing his/her duties. The director will not be entitled to economic compensation beyond payment of amounts already owed for termination for grave and culpable misconduct in carrying out their functions, which negatively affects ENDESA's interests, as adjudged by a mutually selected neutral arbitrator or, in the absence thereof, by the competent jurisdiction.
 - e) Transfer of undertakings. In the event of a transfer of undertakings, regardless of its form (e.g. merger, absorption, spin-off or dissolution), or if the current share ownership structure of ENDESA is modified such that there is a change in control thereof, the Chairman shall have 6 months to rescind this agreement and leave the position in accordance with the provisions and effects applicable in the event of removal by free will of the company. If the director does not exercise this right within the established period, the agreement will remain in effect under the new situation unless the parties agree otherwise.
- Furthermore, the contract includes a post-contractual non-competition clause similar to those in the contracts of Senior Executives, such that following termination he/she may not carry out any activity in competition with ENDESA for a two-year period; as consideration for this, the Chairman will be entitled to receive up to .9564 times annual compensation.

Other cases of termination, including death, pre-retirement, retirement, incapacity, etc. shall be treated as governed by the applicable regulations or as established in the applicable corporate resolutions.

Conditions for Chief Executive Officer:

Termination by decision of the Company as a result of gross and willful misconduct will not give rise to any right to severance pay in favor of the Chief Executive Officer. In all other cases he/she has the right to:

- Resume the senior management employment terminated due to his/her appointment as Chief Executive Officer, provided that on the date of the triggering event he/she is under 63 years of age.
- If he/she is 63 years of age or older on the date of the triggering event, his/her senior management position shall be automatically terminated, subject to a right to apply the pre-retirement conditions set forth prior to his/her appointment as Chief Executive Officer.

In this regard, as of December 31, 2016, the Chief Executive Officer, based on the prior arrangements resulting from his/her employment relationship with the Company, has acquired rights, equivalent to €6,987 thousand (net), secured through a bank guarantee. However, this amount is reduced annually according to his/her time of service (the total at December 31, 2015 was €7,084 thousand). This compensation is incompatible with any other indemnity payment that may arise from termination of his/her employment as Director, as set forth in the employment suspension agreement for senior officers. This amount includes the post-contractual non-competition covenant.

In the event of termination due to death, disability or retirement, the Chief Executive Officer or his/her successors shall have the right to receive those benefits arising under the insurance policies taken out by the Company and, in the case of death, to all pre-retirement compensation as referred to in the preceding paragraph.

A.7 Indicate the conditions that must be respected in the contracts of those who carry out senior management functions as executive directors. This should include information on duration, limits on compensation amounts, tenure clauses, notice periods, and payment in lieu of the aforementioned notice period, and any other clauses on hiring bonuses, as well as on severance payments or golden parachutes for the early termination of the contractual relationship between the company and the executive director. Include, among others, non-competition, exclusivity, tenure or loyalty and post-contractual non-competition covenants or agreements.

Explain the conditions of executive director contracts

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

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

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

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

Executive Directors have the right to receive severance payment for termination of their relationship with the Company, provided termination thereof was not due to causes attributable to the Director.

The severance payable to the Chairman shall be 2.8691 times his/her annual compensation, whereas the Chief Executive Office shall have the right to:

- If he/she is under 63 years of age on the date of the triggering event, resume the senior management employment suspended due to his/her appointment as Chief Executive Officer,

- If he/she is 63 years of age or older on the date of the triggering event, his/her employment, commercial or senior management relationship shall be automatically terminated, being entitled to benefit from the pre-retirement conditions vested prior to his/her appointment as Chief Executive Officer.

In this regard, as of December 31, 2016, the Chief Executive Officer, based on the prior arrangements resulting from his/her employment relationship with the Company, has acquired rights, equivalent to €6,987 thousand (net), secured through a bank guarantee. However, this amount is reduced annually according to his/her time of service. This compensation is incompatible with any other indemnity payment that may arise from termination of his/her employment as Director, as set forth in the employment suspension agreement for senior officers. This amount includes the post-contractual non-competition covenant.

4.- Post-contractual non-competition covenant which provides that once the contract has come to an end and for a two-year period thereafter, the executive may not work directly or indirectly, either on a self-employed or employed basis, on their own account or through third parties, in Spanish or foreign companies whose business is identical or similar to that of Endesa. The aforesaid non-competition covenant will include a non-competition indemnity, as agreed, which shall not exceed the amount of his/her compensation for one year.

The Chairman's contract includes a post-contractual non-competition covenant similar to those in the contracts of Senior Executives, such that following termination he/she may not carry out any activity in competition with Endesa for a two-year period; as consideration for this, the Chairman will be entitled to receive up to .9564 times his/her annual compensation.

In the event of termination of the service relationship with the Chief Executive Officer in the manner set forth in the preceding section, the pre-retirement conditions provided for in his/her senior management contract provide for a post-contractual non-competition clause, which shall apply for a period of two years.

A.8 Explain any supplementary compensation paid to directors as compensation for services provided other than those inherent in their position.

N/A

Explain supplementary compensation

A.9 Indicate any compensation in the form of advances, loans and guarantees, indicating the interest rate, key features and any amounts repaid, as well as the obligations assumed on their behalf as a security.

Explain the advances, loans and guarantees granted

Endesa has a system of loans established for its senior managers to purchase their main home or for other needs. In addition, the executive directors and, in general, the Senior Executives can benefit from both types of loans whose maximum capital is an annual payment or semi-annual payment of their estimated gross annual compensation, respectively. The Chief Executive Officer currently holds a loan in the amount of €230 thousand, with an average interest rate of 0.527%, and an interest-free loan (the interest subsidy is considered payment in kind) in the amount of €166 thousand. As of the date of this report re-payment on the loan has not begun.

A.10 Explain the main characteristics of payments in kind.

Explain payments in kind

Executive Directors, as well as all other senior managers, are provided with the following: an interest-free loan scheme; a collective healthcare policy with a 100% subsidy for the premiums of the policyholder and family dependents; and assignment of a company car through a renting scheme.

Executive Directors also have, just as all other Endesa employees, *inter alia*, the right to electricity at the employee rate.

A.11 Indicate the compensation earned by the director by virtue of the payments made by the listed company to a third party in which the director provides services, when those payments are to remunerate the director's services in the company.

Explain the compensation earned by the director by virtue of the payments made by the listed company to a third party in which the director provides services

N/A

A.12 Any compensation item different to those above, regardless of its nature or the company in the group that pays it, especially if it is a related transaction or its issue distorts the fair view of the total compensation earned by the director.

N/A

Explain the other compensation items

A.13 Explain the actions adopted by the company in relation to the compensation system to reduce exposure to excessive risks and adapt it to the long-term targets, values and interests of the company, which will include, where appropriate, reference to: measures designed to ensure that the compensation policy considers the long-term results of the company, measures that establish a balance between the fixed and variable components of compensation, measures adopted for those categories of personnel whose professional activities have a material effect on the company's risk profile, debt collection formulas or clauses to claim a refund of results-based variable components of the compensation if those components have been paid according to data which has subsequently proved to be clearly inaccurate, and measures to avoid any conflicts of interests, where appropriate.

Explain actions adopted to reduce risks

-Endesa's Compensation Policy has been designed taking the Company's long-term strategy and performance into account:
a. Total compensation of Executive Directors is comprised of different compensation items primarily consisting of: (i) a fixed compensation, (ii) a short-term variable compensation, and (iii) a long-term variable compensation. In a standard achievement scenario, long-term compensation for Executive Directors is weighted between 20-30% of their overall compensation (fixed + short-term variable + long-term variable).
b. Long-term compensation programs are developed under a multi-annual framework to ensure that the assessment process is

based on long-term results and objectives linked to Total Shareholder Return (TSR) and the creation of shareholder value in order to ensure the alignment of interests of the Executive Directors with those of the shareholders. Furthermore, these programs are on an overlapping cycle that, as a general rule, are indefinitely connected, maintaining an ongoing long-term focus in relation to all decisions.

- Endesa's Compensation Policy strikes the proper balance between fixed and variable compensation components.

a. The compensation structure for Executive Directors and senior management guarantees an adequate mix between fixed compensation, ordinary variable compensation and long-term variable compensation. While the first component is based on the level of responsibility assigned, the other two are conditional on attaining the objectives previously established by the most rigorous procedures. Target short and long-term variable compensation for Executive Directors shall account for at least 50% of total annual compensation payable thereto and shall be linked to a metric ensuring compensation for exceeding performance targets and shall also include a minimum threshold below which no right to this kind of compensation shall accrue. The total compensation for Executive Directors may vary between a minimum, represented by fixed compensation, and a maximum, which can be attained by exceeding targets. In these cases, variable compensation will represent more than 60% of total compensation. This proportion is considered high but not excessive. Furthermore, the variable compensation scheme is considered sufficiently flexible to allow for variations to the extent possible both in the case that the value is negligible as well as if it represents a significant percentage of total compensation.

b. The Board of Directors, at the proposal of the Appointments and Compensation Committee, is in charge of establishing the targets and their weighting and metrics at the beginning of each fiscal year, as well as for assessing compliance with targets at the end of the year. The Appointments and Compensation Committee is made up of six members, five of which are Independent Directors, one of which serves as the Committee Chairman, and all of whom are simultaneously members of the Audit and Compliance Committee. The overlap in membership on these two Committees ensures that compensation-related risks are considered during Committee discussions and in Committee proposals to the Board as regards both establishing and assessing annual and multi-annual incentives.

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

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

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

As regards long-term compensation, since 2014, the plans provide for deferred payment and require that the Director be active at the time payment is made; these payments are made in two installments: 30%, if applicable, in the year after the plan ends, and the remaining 70%, if applicable, two years after termination of the plan.

B PROJECTED COMPENSATION POLICY FOR FUTURE YEARS

Repealed.

C GENERAL SUMMARY OF HOW THE COMPENSATION POLICY WAS APPLIED FOR THE YEAR ENDED

C.1 Briefly explain the main characteristics of the structure and compensation items of the compensation policy applied for the year ended and provide a breakdown of the individual compensation earned by each of the directors shown in section D of this report, and summarize the decisions made by the board for the application of those items.

Explain the structure and compensation items of the compensation policy applied during the year
--

As regards Directors in their condition as such, the policy applied in 2016 was as follows:

- The compensation of Directors for their condition as such shall comprise the following items:

a) Fixed monthly compensation of €15.6 thousand (gross) per Director, plus €1 thousand monthly (gross) for the position of Chairman of the Audit and Compliance Committee and of the Appointments and Compensation Committee, and €2.1 thousand (gross) for the Coordinating Director.

b) Allowances for attending each meeting of the governing bodies of the company and its committees, totaling €1.5 thousand per session/per Director.

Only Independent Directors and the Chairman receive compensation for their membership on the Board (fixed compensation and allowances). The remaining Directors have all waived their right to compensation arising from their membership on the Board.

- Compensation of Executive Directors:

i) Fixed Compensation

The fixed annual compensation for the Chairman was €1,132 thousand (gross) for fiscal year 2016. The fixed annual compensation for the Chief Executive Officer was €700 thousand (gross).

ii) Short-Term Variable Compensation

Target short-term variable compensation for fiscal year 2016 is €708 thousand (gross) for the Chairman and €450 thousand for the Chief Executive Officer, with a maximum value of 120%.

ii) Long-Term Variable Compensation

Long-term variable compensation, as established in the three-year loyalty plan for 2014-2016, has a target of €568 thousand (gross) for the Chairman and €470 thousand (gross) for the Chief Executive Office, with a maximum value of 180%.

iv) Supplemental Welfare System

There is a Supplemental Social Welfare System available to cover contingencies of retirement, disability and death. This system is instrumented through contributions to the Endesa Group Employees' Pension Plan. In addition, the coverage for disability and death guarantees certain capital and/or income depending on the contingency in question.

v) In-Kind Compensation

Payments in kind comprise:

- Electricity supply.
- Collective health care policy.
- Assignment of company car through a renting scheme.

D BREAKDOWN OF INDIVIDUAL COMPENSATION EARNED BY EACH OF THE DIRECTORS

Name	Category	Accrual Period 2016
LIVIO GALLO	Shareholder-Appointed	From 1/1/2016 to 12/31/2016.
BORJA PRADO EULATE	Executive	From 1/1/2016 to 12/31/2016.
FRANCESCO STARACE	Shareholder-Appointed	From 1/1/2016 to 12/31/2016.
JOSÉ DAMIAN BOGAS GÁLVEZ	Executive	From 1/1/2016 to 12/31/2016.
ALBERTO DE PAOLI	Shareholder-Appointed	From 1/1/2016 to 12/31/2016.
ALEJANDRO ECHEVARRÍA BUSQUET	Independent	From 1/1/2016 to 12/31/2016.
HELENA REVOREDO DELVECCHIO	Independent	From 1/1/2016 to 12/31/2016.
ENRICO VIALE	Shareholder-Appointed	From 1/1/2016 to 12/31/2016.
FRANCISCO DE LACERDA	Independent	From 1/1/2016 to 12/31/2016.
IGNACIO GARRALDA RUIZ DE VELASCO	Independent	From 1/1/2016 to 12/31/2016.
MIQUEL ROCA JUNYENT	Independent	From 1/1/2016 to 12/31/2016.

D.1 Complete the following tables on the individual compensation of each of the directors (including compensation for carrying out executive functions) earned during the year.

a) Compensation earned in the company covered in this report:

i) Payment in cash (in thousands of €)

Name	Salaries	Fixed Compensation	Allowances	Short-Term Variable Compensation	Long-Term Variable Compensation	Compensation for Membership on Board Committees	Indemnities	Other Items	2016 Total	2015 Total
BORJA PRADO EULATE	1,132	188	18	822	853	0	0	42	3,055	2,915
FRANCESCO STARACE	0	0	0	0	0	0	0	0	0	0
JOSÉ DAMIAN BOGAS GÁLVEZ	700	0	0	522	705	0	0	47	1,974	1,635

Name	Salaries	Fixed Compensation	Allowances	Short-Term Variable Compensation	Long-Term Variable Compensation	Compensation for Membership on Board Committees	Indemnities	Other Items	2016 Total	2015 Total
ALBERTO DE PAOLI	0	0	0	0	0	0	0	0	0	0
ENRICO VIALE	0	0	0	0	0	0	0	0	0	0
LIVIO GALLO	0	0	0	0	0	0	0	0	0	0
HELENA REVOREDO DELVECCHIO	0	188	42	0	0	0	0	0	230	216
MIQUEL ROCA JUNYENT	0	225	51	0	0	0	0	0	276	228
IGNACIO GARRALDA RUIZ DE VELASCO	0	191	51	0	0	0	0	0	242	154
FRANCISCO DE LACERDA	0	188	51	0	0	0	0	0	239	154
ALEJANDRO ECHEVARRÍA BUSQUET	0	197	47	0	0	0	0	0	244	228

ii) Share-Based Compensation Systems

iii) Long-Term Savings Systems

Name	Contribution for the year made by the company (thousands €)		Amount of Accumulated Funds (thousands €)	
	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2015
BORJA PRADO EULATE	282	269	1,932	1,579
JOSÉ DAMIAN BOGAS GÁLVEZ	310	321	9,809	9,122

iv) Other Benefits (in thousands of €)

BORJA PRADO EULATE			
Compensation in the form of advances and loans			
Transaction Interest Rate		Essential characteristics of the transaction	Any amounts repaid
0.00		N/A	N/A
Life Insurance Premiums		Guarantees given by the company for directors	
2016	2015	2016	2015
205	147	N/A	N/A

JOSÉ DAMIAN BOGAS GÁLVEZ			
Compensation in the form of advances and loans			
Transaction Interest Rate		Essential characteristics of the transaction	Any amounts repaid
0.52		Loan in the amount of €230 thousand, with an average interest rate of 0.527%, and an interest-free loan (the interest subsidy is considered payment in kind) in the amount of €166 thousand.	As of the date of this report re-payment on the loan has not begun.
Life Insurance Premiums		Guarantees given by the company for directors	
2016	2015	2016	2015
50	43	In fiscal year 2016, the company provided guarantees to the director worth €6,987 thousand.	In fiscal year 2015, the company provided guarantees to the director worth €7,084 thousand.

b) Compensation earned by the company's directors from their membership on the boards of other companies in the group:

i) Payment in cash (in thousands of €)

Name	Salaries	Fixed Compensation	Allowances	Short-Term Variable Compensation	Long-Term Variable Compensation	Compensation for Membership on Board Committees	Indemnities	Other Items	2016 Total	2015 Total
BORJA PRADO EULATE	0	0	0	0	0	0	0	0	0	0

ii) Share-Based Compensation Systems

iii) Long-Term Savings Systems

c) Summary of compensation (in thousands of €):

The summary must include the amounts of all compensation items included in this report that have been earned by the director, in thousands of euros.

Contributions or allocations made to long-term savings systems must be included:

Name	Compensation earned in the Company				Compensation earned in group companies				Total		
	Total Cash Payment	Amount of the shares granted	Gross profit on options exercised	Total 2016 (Company)	Total Cash Payment	Amount of the shares granted	Gross profit on options exercised	Total 2016 (Group)	Total 2016	Total 2015	Contribution to the savings system during the year
BORJA PRADO EULATE	3,055	0	0	3,055	0	0	0	0	3,055	2,915	282
FRANCESCO STARACE	0	0	0	0	0	0	0	0	0	0	0
JOSÉ DAMIAN BOGAS GÁLVEZ	1,974	0	0	1,974	0	0	0	0	1,974	1,635	310
ALBERTO DE PAOLI	0	0	0	0	0	0	0	0	0	0	0
ENRICO VIALE	0	0	0	0	0	0	0	0	0	0	0
LIVIO GALLO	0	0	0	0	0	0	0	0	0	0	0
HELENA REVOREDO DELVECCHIO	230	0	0	230	0	0	0	0	230	216	0
ALEJANDRO ECHEVARRÍA BUSQUET	244	0	0	244	0	0	0	0	244	228	0
MIQUEL ROCA JUNYENT	276	0	0	276	0	0	0	0	276	228	0
FRANCISCO DE LACERDA	239	0	0	239	0	0	0	0	239	154	0
IGNACIO GARRALDA RUIZ DE VELASCO	242	0	0	242	0	0	0	0	242	154	0
TOTAL	6,260	0	0	6,260	0	0	0	0	6,260	5,530	592

D.2 Report on the relationship between the compensation obtained by the directors and the company's results or other performance-related measurements, explaining, where appropriate, how variations in the performance of the company have been able to affect the variation in the compensation of directors.

SHORT-TERM VARIABLE COMPENSATION

In relation to short-term variable compensation in 2016 for Executive Directors, the Board of Directors, following a proposal from the Appointments and Compensation Committee, approved the indicators and achievement levels applicable thereto at its meeting held on February 22, 2017. In this regard, performance levels for 2016 targets are as follows:

- 1.- EBITDA: 20% Weight. Final achievement for the year exceeded the budgeted value by more than 3%. Performance level for this target met the maximum achievement of 120%.
- 2.- Cash-Cost (total recurring fixed costs from income statement + gross maintenance investments including contributions and assignments). 20% Weight. Final achievement for the year was 1.52% lower than the expected value provided in the budget and thus, performance level for this target met the maximum achievement of 120%.
- 3.- FFO (Cash-flow before dividends, gross investments and extraordinary transactions). 20% Weight. Final achievement for the year exceeded the budgeted value by 7%. Performance level for this target met the maximum achievement of 120%.
- 4.- Strategic Business Projects. 20% Weight. Final achievement for the year involved compliance with two of the three plans provided, resulting in a performance level for the target of 100% out of a maximum of 120%.
- 5.- Safety. 20% Weight. The final achievement for the year was a greater than 7% decrease in the combined accident frequency rate (combined accident rate for employees and contractors) and the action plan provided for in the targets was implemented. In this regard, performance levels for this target were 120%.

The values for fiscal year 2016 targets, together with the weighting of each target, provide an overall weighted performance of 116% out of a maximum of 120%.

Based on the criteria set forth in the instructions to this Report, the amounts listed under the

"Short-Term Variable Compensation" column in the table under section D.1.a)i) for the Chairman and Chief Executive Officer are the amounts accrued in fiscal year 2016. This compensation was approved by the Board at the proposal of the Appointments and Compensation Committee, although said compensation will not be paid out until the upcoming General Shareholders' Meeting has approved the annual financial statements.

LONG-TERM VARIABLE COMPENSATION

Long-term variable compensation for fiscal year 2016 is based on the 2014-2016 Loyalty Plan. Based on the criteria set forth in the instructions to this Report, the Director shall be deemed to have accrued long-term variable compensation as of the end date of the accrual period. The accrual period is the period in which the performance of the Director is measured for the purposes of calculating long-term variable compensation, regardless of the manner or period agreed for payment of said compensation or if the

payment is subject to deferral, withholding, ex post malus adjustment clauses or clawback clauses for the recovery of payments already made.

For this reason, the amounts indicated for the Chairman and Chief Executive Officer under the "Long-Term Variable Compensation" column in the table under section D.1.a)i) are only estimates based on a target performance level of 150% and which could reach the maximum overachievement level of 180% given that, as of the issue date of this Report, the Board of Directors had not determined achievement levels and has not paid out any compensation, although based on available data, performance levels of at least 150% are anticipated. Furthermore, it is worth noting that these plans provide that payments are to be deferred, i.e. these payments are made in two installments: 30%, if applicable, in the year after the plan ends, and the remaining 70%, if applicable, two years after termination of the plan.

The following targets for the Chairman and CEO are established for the 2014-2016 Program:

- Ebitda. The target established is to exceed the completion threshold defined in the annual budget and accrued for the program period. Below this threshold the program will not pay out any compensation. (ON/OFF Condition).
- Earnings per ordinary share – EPS, represented by the distribution of net ordinary profits from the Enel Group for all shares, calculated based on the data provided in the estimates approved annually by the Enel Board of Directors for each reference year. The weighting of this target is 75%.

- Return on Average Capital Employed (ROACE), represented by the relation between operating profits and net average invested capital, calculated based on the amounts estimated in the annual budgets approved by the Board of Directors of Enel for each reference year. The weighting of this target is 25%.

D.3 Report on the result of the advisory vote of the general meeting with regard to the annual report on the previous year's compensation, indicating the number of 'no' votes given where appropriate:

	Number	% of Total
Votes Cast	914,314,862	86.36%

	Number	% of Total
Against	7,321,410	0.80%
In favor	905,835,564	99.07%
Abstentions	1,157,888	0.13%

E OTHER USEFUL INFORMATION

If there is any other relevant information on director compensation that has not been included in the rest of the sections of this report, but which should be included in order to gather more complete and reasoned information on the structure and compensation practices of the company with regard to its directors, please briefly describe such information below.

- "Total 2015" as provided in D.1.a) i) and D.1.c) hereof do not match the information provided in the Annual Compensation Report for Executive Directors in 2015, as this Report (fiscal year 2016) includes, under the "Total 2015" heading, the long-term variable compensation effectively earned instead of the estimates provided in 2015. The information provided in "Other Items" was also adjusted to include amounts for life insurance policy as specified in D.1.a)iv).

This annual compensation report was approved by the Board of Directors of the company at its meeting on 22/02/2017.

Please indicate whether any directors have voted against or abstained from the approval of this report.

Yes ☐

No ☒