

**POLICY OF REMUNERATION OF DIRECTORS**

**OF SIEMENS GAMESA RENEWABLE ENERGY, S.A. 2019-2021**

(Text approved by the Annual General Meeting of Shareholders held on March 27, 2019)

## **POLICY OF REMUNERATION OF DIRECTORS 2019-2021**

### **1. Introduction**

This document sets forth the Policy of Remuneration of Directors of SIEMENS GAMESA RENEWABLE ENERGY, S.A. ("**Siemens Gamesa**" or the "**Company**") that will be submitted to a binding vote by the shareholders at the 2019 General Meeting of Shareholders as a separate item on the Agenda to replace the Policy of Remuneration of Directors approved by the shareholders at the General Meeting of Shareholders held on 20 June 2017.

In relation to the procedure for approval of said Policy, section 529 *novodecies.2* of the Corporate Enterprises Act (*Ley de Sociedades de Capital* or "**LSC**") establishes that the proposed remuneration policy for a board of directors must be reasoned and must be accompanied by a specific report from the appointments and remuneration committee.

This proposed new Policy of Remuneration of Directors (the "**remuneration policy**" or the "**policy of remuneration of directors**") shall apply to the following financial years: 1 October 2018 to 30 September 2019; 1 October 2019 to 30 September 2020; and 1 October 2020 to 30 September 2021. The reasoned report of the Appointments and Remuneration Committee (the "**ARC**" or the "**Committee**") is attached hereto.

Both documents are made available to the shareholders on the Company's website as from the call to the General Meeting of Shareholders to be held on 27 and 28 March 2019, on first and second call, respectively, in accordance with the provisions of section 529 *novodecies.2* LSC.

This policy of remuneration of directors contains the following sections:

- Principles of the remuneration policy.
- Duties assumed by the Appointments and Remuneration Committee.
- Policy of remuneration of directors in their capacity as such.
- Policy of remuneration of executive directors.
- Policy of remuneration applicable to new directors.
- Quantitative limit of director remuneration.
- Effective period of the remuneration policy.

### **2. Principles of the remuneration policy**

The commitment of the members of the Board of Directors and senior managers of Siemens Gamesa is essential for the successful fulfilment of the Company's strategy, and with this objective the ARC prepares and proposes to the Company's Board of Directors (the "**Board of Directors**" or the "**Board**") the policy of remuneration and the remuneration practices that apply to the members of the Board of Directors.

The remuneration of the members of Siemens Gamesa's Board of Directors is determined taking into consideration the provisions of: (i) the law applicable to corporate enterprises, specifically the LSC; (ii) article 45 of the By-Laws; (iii) article 29 of the Regulations of the Board of Directors of the Company; (iv) the resolutions adopted by the shareholders at the General Meeting of Shareholders; and (v) market practices in entities that are comparable by size, activity, complexity of business and geographic distribution of operations. This analysis normally relies on the support of outside consultants.

The remuneration system distinguishes between directors acting in their capacity as such from those performing executive duties within the Company.

The following general principles underpin the policy of remuneration of directors:

	Executive directors	Non-executive directors
Balance and prudence	●	●
Alignment with practices required by shareholders and investors	●	●
Transparency	●	●
Competitiveness of remuneration policy in terms of both structure and overall amount, in order to attract, motivate and retain key professionals	●	●
Alignment with the Company's strategic objectives	●	●
Alignment with the remuneration established by comparable companies (external equity)	●	●
Remuneration policies and practices guaranteeing no discrimination on grounds of sex, age, culture, religion or race (internal equity)	●	●
Relationship with effective dedication to position	●	●
Link with responsibility and performance of duties as director	●	●
Maintenance of a reasonable balance among the various components of fixed remuneration (short-term) and variable remuneration (annual and long-term), reflecting an appropriate assumption of risks combined with the achievement of defined objectives linked to the creation of sustainable value <sup>(*)</sup>	●	
Absence of variable remuneration components in order to secure full independence with respect to remuneration of executive directors and of senior management <sup>(*)</sup>		●
Amount offering an incentive without affecting independence, taking the form of a fixed monthly allowance and an attendance fee		●

<sup>(\*)</sup> The remuneration policy for the legal counsel/secretary and member of the Board of Directors for the performance of executive duties does not include variable remuneration.

The above principles are consistent with Siemens Gamesa’s corporate governance policy, the latest version of which was approved by the Board of Directors at its meeting held on 12 September 2018 and is published on the corporate website.

Said remuneration principles also comply with the general provisions for corporate enterprises established in the LSC and are in line with the principles and recommendations relating to director remuneration set forth in the Good Governance Code of Listed Companies published by the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*), in terms of their fit with the size and importance of the company, its financial condition, comparability, profitability and sustainability, and in terms of not encouraging an excessive assumption of risks or rewarding unfavourable results.

Practices applied by Siemens Gamesa	Practices not applied by Siemens Gamesa
<p><b>Executive directors<sup>(*)</sup>:</b></p> <ul style="list-style-type: none"> <li>▪ Regular use of external advice.</li> <li>▪ Deferred receipt of a significant portion of remuneration<sup>(*)</sup>.</li> <li>▪ Delivery of a significant portion of remuneration in shares of the company.</li> <li>▪ Establishing <i>malus</i> and clawback clauses applicable to long-term variable remuneration.</li> <li>▪ Regular review of alignment of total remuneration with that of comparable companies.</li> <li>▪ Linking of payment of a significant portion of remuneration to the Company’s economic and financial results.</li> </ul> <p><b>Non-executive directors:</b></p> <ul style="list-style-type: none"> <li>▪ Linking of remuneration to duties and responsibilities assigned to each director, as well as to the dedication thereof to the Company.</li> </ul>	<p><b>Executive directors:</b></p> <ul style="list-style-type: none"> <li>▪ As a general rule, no advances or loans granted.</li> <li>▪ No discrimination in terms of remuneration on grounds of sex, age, culture, religion or race. Siemens Gamesa’s professionals are remunerated based on their professional background, dedication and responsibility assumed.</li> <li>▪ No guaranteed increases in fixed remuneration or guaranteed receipt of any variable remuneration.</li> </ul> <p><b>Non-executive directors:</b></p> <ul style="list-style-type: none"> <li>▪ No participation in short- or long-term variable remuneration systems linked to the results of the company or to individual performance (only fixed remuneration and attendance fees are received).</li> <li>▪ No participation in pension plans, retirement schemes or other benefit schemes.</li> </ul>

<sup>(\*)</sup> The remuneration policy for the legal counsel/secretary and member of the Board of Directors for the performance of executive duties does not include variable remuneration and said person does not therefore participate in the short- and long-term variable remuneration systems described in this remuneration policy.

### 3. Duties assumed by the Appointments and Remuneration Committee

The Regulations of the Appointments and Remuneration Committee, approved by the Board of Directors in accordance with the provisions of article 35 of the By-Laws, describe the powers assumed by this Committee including those relating to the remuneration of directors and top managers reporting directly to the Board of Directors.

The participation of the ARC in the decision-making process with respect to the determination, application and review of the Policy of Remuneration is summarised below:

**Determination of the remuneration policy**

- Report on the policy of remuneration of directors in connection with the proposal thereof by the Board of Directors to the shareholders at the General Meeting of Shareholders.

**Application of the remuneration policy**

- Proposal to the Board of Directors of the system and amount of annual remuneration of directors, business CEOs or those performing Top Management duties and reporting directly to the Board of Directors, to executive committees or to the CEO, as well as proposal of individual remuneration and other basic terms and conditions of executive director contracts, including potential compensation or indemnity that may be established in the event of termination of the contractual relationship.
- Report on:
  - The CEO's proposal on the basic terms and conditions of top manager contracts and particularly on the remuneration structure applicable thereto, including potential compensation or indemnity that may be established in the event of termination of the contractual relationship, submitting said proposal to the Board of Directors.
  - General multi-year incentive systems and pension supplements.
  - Remuneration systems relating to the listing value of shares, or entailing the delivery of shares or of share options, for directors, members of Top Management and other Company employees.
  - Documents to be approved by the Board of Directors for general dissemination relating to information on remuneration.

**Review of the remuneration policy**

- Ensuring compliance with the policy of remuneration of directors and annually reviewing its suitability and results, reporting to the Board of Directors on the outcome of said review.

Without prejudice to the foregoing, the Board of Directors shall in any case exercise the remuneration policy powers assigned thereto by the LSC, the By-Laws and the Regulations of the Board of Directors.

#### **4. Policy of remuneration of directors in their capacity as such**

The key elements of the policy of remuneration of directors in their capacity as such are broken down below.

In accordance with the provisions of article 45.3 of the By-Laws and section 217.3 LSC, the shareholders at the General Meeting of Shareholders held on 8 May 2015 approved the remuneration corresponding to the directors in their capacity as such, pursuant to the remuneration criteria and items set forth below and within the maximum limit of three (3) million euros. Said limit, which shall remain in effect until the shareholders at the General Meeting of Shareholders resolve to amend it, is in any case a maximum limit; it is for the Board of Directors to distribute the amount thereof among the items established and among the directors, in the form, at the time and in the proportion that it determines in view of the position held by each director on the Board of Directors, the duties and responsibilities assigned to the director, membership of committees of the Board of Directors and other objective circumstances that it deems relevant.

Pursuant to the provisions of the By-Laws and the Regulations of the Board of Directors, the aforementioned remuneration is compatible with and independent of that established for members of the Board of Directors who perform executive duties, which is not subject to the quantitative limit mentioned above. However, this remuneration policy does not include the possibility of the CEO receiving any amount for the items described in Table 1 below.

**Table 1. Policy of remuneration of directors in their capacity as such**

	Limits	Implementation
<p><b>Fixed Remuneration for membership of the Board of Directors</b></p> <p>Aim:</p> <p>To properly remunerate the director for the dedication that the position demands, but without reaching levels that compromise the independence of the director.</p>	<p><b>Maximum:</b> €80,000 per annum per director.</p>	<p>Paid on a monthly basis.</p>
<p><b>Fixed Remuneration for membership of the committees of the Board of Directors</b></p> <p>Aim:</p> <p>To remunerate the director for dedication to committees of the Board of Directors.</p>	<p><b>Maximum:</b></p> <ul style="list-style-type: none"> <li>▪ Chair of the Audit, Compliance and Related Party Transactions Committee: €80,000 per annum.</li> <li>▪ Chair of other committees: €60,000 per annum.</li> <li>▪ Member of the Audit, Compliance and Related Party Transactions Committee: €60,000 per annum.</li> <li>▪ Member of other committees: €40,000 per annum.</li> </ul>	<p>The amounts are annual, regardless of the number of committee meetings held during the financial year.</p> <p>Paid on a monthly basis.</p>
<p><b>Lead Independent Director (does not currently exist)</b></p> <p>Aim:</p> <p>To suitably remunerate the director for the additional dedication that the position demands.</p>	<p><b>Maximum:</b> An additional €20,000 per annum.</p>	<p>Paid on a monthly basis.</p>
<p><b>Fees for attendance at meetings of the Board of Directors and committees thereof</b></p> <p>Aim:</p> <p>To remunerate the director for personal and effective attendance at meetings of the Board of Directors and committees thereof.</p>	<p><b>Maximum:</b></p> <p>Board of Directors:</p> <ul style="list-style-type: none"> <li>▪ Chair: €2,000 per meeting held.</li> <li>▪ Member: €2,000 per director and meeting held.</li> </ul> <p>Committees of the Board of Directors:</p> <ul style="list-style-type: none"> <li>▪ Chair: €3,800 per meeting held.</li> <li>▪ Member: €2,000 per director and meeting held.</li> </ul>	<p>Fees for attendance at meetings of the Board and of the committees thereof are paid for the personal and physical attendance of each director at each meeting held, regardless of the number of meetings held.</p> <p>In the case of attendance via videoconference or other remote means of communication that may be allowed, the fees shall be 50% of the corresponding amount. There is no right to an attendance fee if a proxy is granted.</p> <p>Paid on a monthly basis.</p>

	Limits	Implementation
<p><b>Chair of the Board of Directors</b></p> <p>Aim:</p> <p>To suitably remunerate the director for the dedication that the position demands, the special level of responsibility and the skills and experience required to perform the role.</p>	<p>The Chair of the Board of Directors shall not receive either the Fixed Remuneration established for membership of the Board of Directors or the Fixed Remuneration established for membership of the committees of the Board of Directors, only receiving a specific annual Fixed Remuneration amount of €250,000 for financial year 2019, together with the fees for attendance at meetings of the Board of Directors and at any meetings of the committees thereof.</p>	<p>Higher remuneration has been established for the Chair of the Board of Directors than for the other Board members in view of the special dedication required.</p> <p>Paid on a monthly basis.</p>
<p><b>Vice Chair of the Board of Directors (does not currently exist)</b></p> <p>Aim:</p> <p>To suitably remunerate the director for the dedication that the position demands, the special level of responsibility and the skills and experience required to perform the role.</p>	<p>The Vice Chair of the Board of Directors shall not receive either the Fixed Remuneration established for membership of the Board of Directors or the Fixed Remuneration established for membership of the committees of the Board of Directors, only receiving a specific annual Fixed Remuneration amount of €150,000 for financial year 2019, together with the fees for attendance at meetings of the Board of Directors and at any meetings of the committees thereof.</p>	<p>Higher remuneration has been established for the Vice Chair of the Board of Directors than for the other Board members in view of the special dedication required.</p> <p>Paid on a monthly basis.</p>

The remuneration described in this table may be revised. In any case, annual adjustments shall be made within the maximum annual limit for the Board as a whole.

In relation to the above-described remuneration items, the possibility is established for members of the Board of Directors to waive collection thereof. In this regard, three proprietary external directors waived collection of their remuneration during financial year 2018.

Additionally, directors may receive the premiums paid by the Company corresponding to policies contracted with insurance companies for the coverage of death and disability benefits. The sum insured for each director amounts to 220,000 euros according to the terms and conditions of the policy.

The Company has also contracted civil liability insurance for all its directors (including executive directors) on customary market conditions and in proportion to the circumstances of the Company.

The policy of remuneration of directors in their capacity as such:

1. Does not provide for the granting of loans, advances or guarantees created by the company in favour of the non-executive members of the Board of Directors.
2. Does not provide for the possibility of including contributions to pension-related social welfare systems.

- Does not establish compensation for non-executive directors for their collective supervisory and decision-making duties in relation to the termination of their relationship with the company due to their status as non-executive directors, or the granting of additional remuneration other than that included above.

## 5. Policy of remuneration of executive directors

The policy of remuneration of Siemens Gamesa's executive directors includes a specific remuneration system for the CEO and for the legal counsel/secretary and member of the Board of Directors.

### 5.1 CEO remuneration policy

Table 2. CEO remuneration policy

	Amount	Implementation
<p><b>Fixed Remuneration in cash</b></p> <p>Aim:</p> <p>To provide compensation in view of level of responsibility and professional background.</p>	<p><b>Amount:</b> €700,000 for financial year 2019.</p> <p><b>Standard general update:</b> The Fixed Remuneration in cash may be annually reviewed based on the criteria approved from time to time by the ARC, including performance and continuity in the position, evolution of the Company's results, complexity of the business, geographic diversity, market benchmarks, etc., although at no time shall the annual increase exceed 3% of the Fixed Remuneration in cash for the immediately preceding year. Any increase shall take into account the Company's financial situation and market standards at comparable companies obtained via comparative analyses conducted by specialised external consultants.</p> <p>Without prejudice to the foregoing and even if it is not initially contemplated during the effective period of this remuneration policy, said increase may be higher in exceptional circumstances, provided the Company deems it necessary to facilitate the retention of the CEO as a key officer at the Company. In this case, information shall be provided regarding the increase applied and the reasons therefor in the corresponding Annual Director Remuneration Report, which will be submitted to a binding vote by the shareholders at the General Meeting of Shareholders.</p> <p>Even if the update occurs on the above-described terms, the ARC must always provide reasons therefor.</p>	<p>The fixed remuneration is established in accordance with responsibility and leadership within the organisation and in line with the remuneration paid on the market at comparable companies.</p> <p>For the performance of executive duties, the Company pays the CEO the amount corresponding to the payment of Social Security.</p>



	Amount	Implementation
<p><b>Long-Term Savings Scheme</b></p> <p>Aim:</p> <p>To offer a global remuneration package that is competitive with market practice.</p>	<p>The Company may implement social welfare schemes in which the CEO participates.</p> <p>The CEO is a beneficiary of group life insurance.</p> <p>The annual contribution amounts to a total of 166,500 euros (representing 23.7% of the CEO's current annual Fixed Remuneration in cash), and changes are not expected during the effective period of this remuneration policy. However, this amount will be subject to possible updates insofar as market circumstances so recommend. Any increase shall take into account the company's financial condition and market standards at comparable companies obtained via comparative analyses conducted by specialised external consultants.</p> <p>Details of the amounts corresponding to these systems will be included in the corresponding Annual Director Remuneration Report.</p>	<p>This is a defined-contribution plan that covers the contingencies of retirement, disability, death, dependence of the participant and exceptional cashflow circumstances (long-term unemployment, serious illness, etc.).</p> <p>The benefit consists of the right to receive accumulated contributions made by the Company in favour of the CEO plus the returns resulting from the occurrence of any of the covered contingencies.</p> <p>In the event of cessation of the CEO at the Company on grounds other than the contingencies covered under the plan, the CEO shall have the right to the entirety of the accumulated balance, unless the contractual relationship is terminated due to any of the following circumstances: (i) criminal conviction or regulatory sanction on grounds attributable to the participant; (ii) serious breach of the internal rules of Siemens Gamesa or of the Group; or (iii) fraudulent or grossly negligent conduct of the participant in the performance of his duties.</p> <p>The receipt of any indemnity to which the CEO may be entitled due to the termination of his contractual relationship with the Company shall be compatible with the recognition of the balance accumulated as a result of the CEO's participation in the plan.</p>
<p><b>Company Benefits</b></p> <p>Aim:</p> <p>To offer a global remuneration package that is competitive with market practice.</p>	<p>The CEO may be a beneficiary of certain benefits that include the coverage of health contingencies and accidents via the Company contracting the corresponding insurance, and the assignment of the right to use a vehicle, in accordance with the Company's policy for top-level senior managers.</p>	<p>Supplement in kind under the item of company benefits.</p> <p>Details of the amounts regarding this item will be included in the corresponding Annual Director Remuneration Report.</p>

	Amount	Metrics	Implementation
<p><b>Annual Variable Remuneration</b></p> <p>Aim:</p> <p>To incentivise achievement of the annual objectives in line with Siemens Gamesa’s strategic plan.</p>	<p><b>Minimum Threshold for achievement of objectives:</b></p> <p>In order to determine the amount to be received under this item, an achievement scale will be established for each metric that will include a minimum objective achievement threshold below which no incentive will be paid.</p> <p><b>Target Amount:</b></p> <p>100% of annual Fixed Remuneration.</p> <p>This will be reached in the event of 100% achievement of the pre-established objectives.</p> <p><b>Maximum Amount:</b></p> <p>200% of annual Fixed Remuneration.</p> <p>This will be reached in the event of extraordinary performance and maximum outperformance of the pre-established objectives.</p>	<p>Linked to the achievement of a combination of specific, pre-determined and quantifiable quantitative and qualitative objectives, aligned with the company’s interest and in line with Siemens Gamesa’s strategic plan, as well as the results of the Company.</p> <p>These objectives may be related to: performance of profit-and-loss statement indicators (e.g. distribution costs, EBITDA, EBIT, net profit, etc.); objectives related to performance of balance sheet indicators (e.g. working capital or components thereof, CAPEX, debt); non-financial objectives (e.g. corporate social responsibility, corporate governance and, potentially, the individual performance of the director).</p>	<p>At the start of each financial year, the ARC reviews the conditions of the annual variable remuneration system applicable to the CEO, including the structure, maximum remuneration levels, established objectives and weight of each of them, in view of the company’s strategy and business needs and situation. Said review is then submitted to the Board of Directors for approval.</p> <p>The annual variable remuneration is paid wholly in cash.</p> <p>Details of the information regarding this item will be included in the corresponding Annual Director Remuneration Report with the individual level of achievement and weighting of each objective and the overall level of achievement of the objectives as a whole.</p> <p>The annual variable remuneration system will contemplate the corresponding <i>malus</i> clause, which will apply for the duration and until the payment thereof, and clawback clause.</p>

	Amount	Metrics	Implementation
<p><b>Long-Term Incentive Plans</b></p> <p>Aim:</p> <p>To foster the CEO's commitment to the Company and its strategic plan, linking remuneration to the creation of shareholder value as well as the sustainable achievement of strategic objectives, so that it is aligned with best market practices in terms of remuneration. In addition, the Company seeks to offer a competitive remuneration package to the CEO by means of the long-term incentive plans.</p>	<p><b>Target Amount:</b></p> <p>100% of Fixed Remuneration in cash for each of the FY2018, FY2019 and FY2020 Cycles.</p> <p><b>Maximum Amount:</b></p> <p>100% of the target Incentive for the FY2018 Cycle.</p> <p>200%* of the target Incentive in case of outperformance of the objectives of the metrics for the FY2019 and FY2020 Cycles.</p> <p>However, the value of the shares to be received by the CEO, deriving from each of the Cycles of the Plan, may not under any circumstances exceed the lower of the following two amounts*: (i) three times the target Incentive assigned in each Cycle of the Plan, or (ii) the result of multiplying 1.7 times the sum of the Fixed Remuneration in cash, the Annual Variable Remuneration and the target Incentive assigned during each Cycle of the Plan.</p> <p><b>Minimum objective achievement threshold:</b></p> <p>No incentive will be paid below a minimum level of achievement of the objectives for metrics to be determined for each Cycle by the Board of Directors following a report from the Appointments and Remuneration Committee.</p>	<p>Metrics for the FY2018 Cycle:</p> <ul style="list-style-type: none"> <li>Earnings per Share ("EPS").</li> <li>Total Shareholder Return ("TSR") ratio of Siemens Gamesa compared to other companies in the market.</li> <li>Corporate Social Responsibility ("CSR") ratio.</li> </ul> <p>Metrics for the FY2019 and FY2020 Cycles*:</p> <ul style="list-style-type: none"> <li>TSR ratio of Siemens Gamesa compared to the ISE Clean Edge Global Wind Energy Index.</li> <li>TSR ratio of Siemens Gamesa compared to the TSR of the company Vestas Wind System A/S.</li> <li>Sustainability. Linked to the position reached by the Company on the Dow Jones Sustainability Index.</li> <li>Customer satisfaction valuation (Net Promoter Score).</li> <li>Employee Engagement.</li> </ul> <p>The weightings for the metrics will be determined for each of the Cycles of the Plan by the Board of Directors, following a favourable report of the Appointments and Remuneration Committee.</p> <p>The sum of the weighting of the metrics for Sustainability, Net Promoter Score and Employee Engagement may not exceed 20 per cent under any circumstances.</p>	<p>The Company will assign a certain amount to serve as the basis to in turn grant a particular number of Stock Awards, which will serve as a reference to determine the final number of shares to be delivered.</p> <p>The Plan includes the delivery of Company shares linked to the achievement of certain objectives.</p> <p>The Plan is structured into three (3) independent Cycles with a measurement period of three (3) years for each Cycle:</p> <ul style="list-style-type: none"> <li>FY2018 Cycle: from 1 October 2017 until 30 September 2020.</li> <li>FY2019 Cycle: from 1 October 2018 until 30 September de 2021.</li> <li>FY2020 Cycle: from 1 October 2019 until 30 September 2022.</li> </ul> <p>The deriving from the Plan to be delivered, net of any applicable taxes, Will be subject to a holding period until reaching a number of shares equal to:</p> <ul style="list-style-type: none"> <li>Two (2) times Fixed Remuneration in cash for the FY2018 Cycle.</li> <li>Two and one-half* (2.5) times Fixed Remuneration in cash for the FY2019 and FY2020 Cycles.</li> </ul> <p>The Plan will contemplate the corresponding <i>malus</i> clauses, which shall be applicable for the term thereof and until the payment or clawback thereof.</p>

<sup>1</sup> At the same General Meeting of Shareholders at which this remuneration policy is submitted for approval, there will be submitted for approval an amendment of the 2018-2020 Long-Term Incentive Plan. The amendments to said Plan include: (i) increase in the maximum Incentive in the event of 200 per cent outperformance of target Incentive, (ii) the maximum amount that can be received under the Plan, (iii) the metrics on which any payment of the Incentive will depend, and (iv) the obligation to hold the shares received until reaching two and a half times the fixed remuneration in cash of the CEO. Therefore, the amendments to the Long-Term Incentive Plan included in this policy are subject to approval of the amendment of the Incentive Plan by the shareholders at the General Meeting of Shareholders.

The remuneration that the CEO will receive pursuant to this policy shall be compatible with and independent of the remuneration pending payment that the CEO may have as a result of his previous contractual relationship with Siemens AG and that, if any, will entail no cost for Siemens Gamesa.

## **5.2 Remunerative mix for the CEO**

The CEO has a fully flexible variable remuneration system that responds appropriately to the results achieved. The relative importance of the CEO's variable remuneration means that depending on the CEO's individual performance and level of achievement of the objectives established for accrual thereof, the combined annual variable remuneration and medium- and long-term variable remuneration may have more importance than that of the fixed components of remuneration.

## **5.3 Ex-post control of long-term variable remuneration of executive directors**

The ARC shall have the power to propose to the Board of Directors the cancellation or return of the payment of the beneficiary's multi-year variable remuneration in circumstances showing that the variable remuneration has accrued or been paid based on inaccurate or erroneous information or data, or where internal corporate rules or applicable law are subsequently proven to have been breached.

The above may specifically apply upon the occurrence of any of the following circumstances:

- a) Regulatory sanctions or judicial convictions on grounds attributable to the director.
- b) Serious breach of internal codes of conduct or policies approved by the Company.
- c) Any other circumstances resulting in a subsequent adjustment of the parameters taken into consideration in the initial evaluation of the CEO's percentage achievement of the objective.
- d) Any other situation that entails an infringement of mandatory rules of the Company.

The ARC may propose to the Board of Directors that adjustments be made to the elements, criteria, thresholds and limits of multi-year variable remuneration in view of exceptional circumstances due to extraordinary internal or external factors or events. The details of and rationale for said adjustments shall be included in the corresponding Annual Director Remuneration Report.

## **5.4 Contractual terms and conditions for the CEO**

The contract governing the performance of the CEO's duties and responsibilities is commercial and permanent in nature, and includes the clauses that it is customary practice to include in this type of contract.

The main indemnity, exclusivity and non-compete clauses in the aforementioned CEO's contract are described in summary form below, in two tables:

**Table 3. Indemnity in case of termination of contractual relationship**

	<b>Cessation upon the Company's decision</b>	<b>Cessation upon decision of the CEO</b>
<b>Notice</b>	<p>Agreed advance three (3) months' notice.</p> <p>In the case of voluntary termination of the contract, the party wishing to terminate the contractual relationship must give the other three (3) months' notice before the date on which the termination is to become effective. In the case that the duty to provide notice is breached, the breaching party must indemnify the other in an amount corresponding to the CEO's annual Fixed Remuneration approved for the relevant financial year and on a pro rata basis according to the period for which no notice was given.</p>	<p>Agreed advance three (3) months' notice.</p> <p>In the case of voluntary termination of the contract, the party wishing to terminate the contractual relationship must give the other three (3) months' notice before the date on which the termination is to become effective. In the case that the duty to provide notice is breached, the breaching party must indemnify the other in an amount corresponding to the CEO's annual Fixed Remuneration approved for the relevant financial year and on a pro rata basis according to the period for which no notice was given.</p>
<b>Indemnity</b>	<p>Termination of the contractual relationship.</p> <p>The indemnity shall be equivalent to one (1) year's Fixed Remuneration in cash of the CEO.</p> <p>The indemnity shall not be applicable if the cessation occurs as a result of fraudulent or grossly negligent conduct of the CEO in the performance of his duties that causes harm or loss to the Company.</p>	<p>Termination of the contractual relationship.</p> <p>No indemnity is established if the CEO voluntarily terminates the contract.</p> <p>If the CEO decides to terminate his relationship with Siemens Gamesa due to a serious and culpable breach by the Company or a substantial amendment to his duties for reasons not attributable to the CEO, he shall have the right to receive the same indemnity established for cases of cessation upon decision of the Company or such indemnity as the CEO is entitled to under the law, if this is higher.</p>

**Table 4. Exclusivity and post-contractual non-compete**

	Implementation
<b>Confidentiality</b>	The Regulations of the Board of Directors establish the duty of directors to observe the confidentiality obligation arising from the duty of loyalty established under the LSC, observing the rules of conduct determined by the LSC and by the Corporate Governance Rules. The CEO is subject to this confidentiality duty both during the term of his contract and after termination thereof.
<b>Post-contractual non-compete</b>	<p>The post-contractual non-compete agreement means that after termination of the contract and for a period of one (1) year after said termination for any reason, the CEO may not provide services, whether directly or indirectly, on his own behalf or for a third party, by himself or through any third party, to Spanish or foreign companies that represent effective, real or potential competition with the companies of the Siemens Gamesa Group. In compensation, Siemens Gamesa undertakes to pay the CEO an amount equal to one (1) year's Fixed Remuneration in cash, payable 50% on termination of the contract with the Company and the remaining 50% six (6) months after termination.</p> <p>In his capacity as director of Siemens Gamesa, the CEO also has a non-compete obligation to the company on the terms that said obligation of the company's directors is governed by the LSC and the Regulations of the Board of Directors.</p>
<b>Exclusivity</b>	The professional relationship is established in terms of exclusivity unless the Board of Directors expressly approves otherwise having assessed exceptional cases.

## 5.5 Policy of remuneration of the legal counsel/secretary and member of the Board of Directors

The legal counsel/secretary and member shall receive the following remuneration in addition to the remuneration corresponding thereto as a member of the Board of Directors as described in Table 1:

**Table 5. Remuneration policy for the legal counsel/secretary and member of the Board of Directors**

	Amount	Implementation
<p><b>Fixed Remuneration in cash</b></p> <p>Aim:</p> <p>To provide compensation in view of level of responsibility and professional background.</p>	<p><b>Sum:</b></p> <p>Financial year 2019:</p> <ul style="list-style-type: none"> <li>▪ €250,000 for duties as legal counsel/secretary and member of the Board of Directors.</li> <li>▪ An additional €50,000 per committee, for duties as secretary of the committees.</li> </ul> <p><b>Standard general update:</b></p> <p>The Fixed Remuneration in cash may be annually reviewed based on the criteria approved from time to time by the ARC, including performance and continuity in the position, evolution of the Company's results, complexity of the business, geographic diversity, market benchmarks, etc.</p> <p>Even if the update occurs on the above-described terms, the ARC must always provide reasons therefor.</p>	<p>The fixed remuneration is established in accordance with responsibility within the organisation and the remuneration paid on the market at comparable companies.</p>

## **5.6 Contractual terms and conditions for the legal counsel/secretary and member of the Board of Directors**

The legal counsel/secretary and member of the Board of Directors, who is classified as an executive director, has signed a permanent contract to provide professional services to the Company with the following characteristics:

- No indemnity clauses or mandatory notice periods are established for termination of the contract.
- A duty of confidentiality is provided for, both during the term of the contract and after termination thereof.
- There are no post-contractual non-compete agreements or clauses establishing exclusivity or the obligation to stay with the Company.
- There are no short- or long-term variable remuneration systems.

## **6. Policy of remuneration applicable to new executive directors**

The remuneration system described above for the CEO shall apply to any director who joins the Board of Directors to perform executive duties during the effective period of this remuneration policy.

Table 2 of this remuneration policy describes the elements to consider in designing and establishing the remuneration system for new executive directors. For these purposes, after hearing the ARC's recommendation, the Board of Directors may establish different remuneration for new executive directors based on the company's interest; in this case, it shall particularly take into account the person's remuneration level before joining the Company, the duties and responsibilities assigned thereto, his/her professional experience, market remuneration for the position and any other factors that it believes appropriate to take into account, which shall be duly reflected in the corresponding contract to be signed between the Company and the new executive director.

In this respect, the ARC shall provide a rationale for the new remuneration taking into account the following factors, among others:

- The applicable law from time to time in effect with respect to the remuneration of members of the Board of Directors who perform executive duties.
- The provisions of the By-Laws, the Regulations of the Board of Directors and the Company's corporate governance policy.
- The principles established in section 2 of this remuneration policy that are applicable to the executive director.
- Market data and guidelines from institutional investors and proxy advisors, as well as information received therefrom during the consultation process carried out by Siemens Gamesa.

The remuneration policy for new appointments establishes the possible co-existence of more than one executive director, each having different duties and responsibilities.

In the event of new non-executive members joining the Board of Directors during the effective period of this policy, the remuneration system described in Table 1 above shall apply thereto.

## **7. Quantitative limit on director remuneration**

The maximum amount of remuneration that the Company can annually pay to its directors as a whole shall be the sum of:

- The amounts for the items indicated in sections 5.1 and 5.5 above, which remunerate executive directors for the performance of executive duties.
- An amount of three (3) million euros, approved by the shareholders at the General Meeting of Shareholders, for the directors as a whole in their capacity as such, or such amount as may be approved by the shareholders at subsequent General Meetings of Shareholders.

In the event of cessation of the CEO or of any other executive directors, the amount to which they are entitled according to the provisions of their contractual terms and conditions as stated in section 5.4 above must be added to the above-described amounts.

The maximum amount described in this section shall remain applicable during the effective period of this remuneration policy unless the shareholders decide to amend it at a future General Meeting of Shareholders.

## **8. Effective period of the remuneration policy**

If approved by the shareholders at the General Meeting of Shareholders, the Company shall apply this policy of remuneration of directors during the financial years ending in September 2019, September 2020 and September 2021. In accordance with the provisions of the aforementioned section 529 *novodecies* LSC, any amendment or replacement of the policy during the effective period thereof shall require the prior approval of the shareholders at the General Meeting of Shareholders.