



AUDIT, COMPLIANCE AND RELATED-PARTY TRANSACTIONS
COMMITTEE

ANNUAL ACTIVITY REPORT

2017

December 4, 2017

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A.- PRESENTATION

The Audit, Compliance and Related-Party Transactions Committee (hereinafter, also interchangeably, the “committee”) of Siemens Gamesa Renewable Energy, S.A. (hereinafter indistinctly referred to either as the “Company” or as “Siemens Gamesa”) has drawn up this Activity Report for 2017 so that it may be placed at the shareholders’ disposal for the General Shareholders’ Meeting after its approval by the Board of Directors. It consists of a summary of the work the committee has performed.

It is well worth noting that the merger came into effect on April 3, 2017 after its registration at the Companies Registry through the acquisition by Gamesa Corporación Tecnológica, S.A. (Gamesa) – as the acquiring company – of Siemens’ wind energy business. Moreover, the Company’s General Shareholders’ Meeting held on June 20, 2017 resolved to change the company’s financial year-end, which had previously been December 31, to September 30.

Within this context, the committee’s activity report reflects the following structure:

- Period from January 1, 2017 to April 3, 2017: Meetings held and activity during said period of the former Gamesa’s Audit and Compliance Committee.
- Period from April 4, 2017 to September 30, 2017: Meetings held and activity in said period of the Audit, Compliance and Related-Party Transactions Committee of Siemens Gamesa Renewable Energy, S.A. once the names of both the Company (approved at the aforementioned General Shareholders’ Meeting) and its Audit and Compliance Committee had been changed.

Over the last few years, the former Gamesa has taken the necessary measures to adapt its committee from time to time to prevailing legislation and both Spanish and international best practices. Its powers, composition and rules of procedure are governed by the Board of Directors Regulations and, in particular, by the Audit, Compliance and Related-Party Transactions Committee’s own Regulations.

Following the practice already initiated in previous years, the committee is hereby presenting and publicly disclosing its Annual Activity Report for 2017, this being its fourteenth edition.

The committee’s activity in the nine-month period running from January 1, 2017 to September 30, 2017 was particularly intense, involving both a significant increase in the number of meetings held as well as in the complexity of the matters it has dealt with.

During the nine-month period corresponding to 2017 the number of meetings held by the committee amounted to fourteen (14), while a total of sixteen (16) meetings were held in the twelve-month period running from January to December 2016. This intense activity was mainly due to the work done by the committee on the above-mentioned merger between Siemens' wind energy business and Gamesa, the context in which Areva sold Gamesa its 50% interest in Adwen's share capital at the beginning of 2017. Gamesa therefore became the sole owner of all Adwen's share capital.

We set out in detail throughout this report the activities and duties the committee has performed, its composition, its members' attendance, the number of meetings it held, the reports and proposals it brought before the Board of Directors, the percentage dedication of each of its members, as well as the number of appearances made by executives and external professionals at committee meetings.

The assessment of the proposals put forward by management concerning transactions with a shareholder holding a significant interest, which was subsequently brought before the Board of Directors, should also be underlined as one of the committee's most significant actions in the financial year ending at September 30, 2017.

B.- HOW THE COMMITTEE WORKS

The Audit, Compliance and Related-Party Transactions Committee is a standing internal body of the Board of Directors and has an informative and advisory role. It is empowered to provide information, advice and put forward proposals.

Its Regulations set forth that the committee may be validly convened when more than one-half of its members are either present or represented by proxy and that resolutions shall be adopted by an absolute majority of the members attending the meeting.

The committee meets as many times as may be necessary to exercise its powers and, in any event, where two of its members so request. Committee meetings are called with sufficient notice of three business days and all the relevant documents and information on the matters to be dealt with at such meetings are sent along with the call, thereby allowing the committee members enough time to analyze them.

At the beginning of each year, the committee draws up its Annual Action Plan through a balanced scorecard, known as the “time chart”, which enumerates and sets the issues worth dealing with in an individualized way at the different meetings scheduled throughout the current year according to their frequency. It aims to ensure fulfillment of the responsibilities assigned to the committee, suitable planning and organization of its work and, at the same time, allows for appropriate coordination with all the bodies involved. Periodically reviewing and updating this balanced scorecard constitutes a tool through which the necessary rigor is established in a flexible way to ensure the committee’s work is done well and efficiently. In any event, the practice described above does not prevent extraordinary meetings from being held where the business’s activity may so require.

A report for the Board of Directors is drawn up at the end of each committee meeting in order to bring the most significant topics discussed and the conclusions reached regarding the items dealt with on the relevant agenda before the Board. Minutes are also drafted at the end of each meeting.

The reports and notices brought before the Board of Directors by the committee are the result of its analyses during the course of such meetings. Whenever it is considered necessary, the organization’s senior management, its other executives, its external auditors and other external independent consultants are called upon to appear before a plenary meeting of the committee. It also oversees the work performed by the Internal Audit Department and the Ethics and Compliance Department, which are functionally dependent on the committee.

As is reflected in this activity report, the committee keeps in constant touch with the auditor of accounts, as well as with the Group's management team, the Ethics and Compliance Department, the Internal Audit Department and Risk and Internal Control (RIC) Area. The Internal Audit Manager regularly attends the committee's meeting and, where required, so do the Ethics and Compliance Manager and the external auditors of accounts.

C.- THE COMMITTEE'S COMPOSITION AND MEETING ATTENDANCE IN 2017 (up to 30 September 2017)

The Audit, Compliance and Related-Party Transactions Committee is an internal body of the Board of Directors made up of at least three and at most five non-executive directors, the majority of which have to be independent directors. Members of the Executive Committee may not sit on the committee.

The composition, status and offices of the Audit, Compliance and Related-Party Transactions Committee at September 30, 2017 are set out below:

Chair:	Ms. Gloria Hernández García	Non-Executive Independent Director
Members:	Ms. Swantje Conrad (*) Vacant	Non-Executive Independent Director
Secretary:	Mr. Carlos Rodríguez-Quiroga Menéndez (non-member)	

(*) The vacancy on the Board of Directors and in this Committee has been filled, upon the approval of the Board of Directors at its meeting on October 20, 2017, with the appointment by co-option of Mr. Alberto Alonso Ureba as an independent director of the Company.

All the committee's members placed their offices at the disposal of the Company at the Board of Directors meeting of Gamesa held on September 19, 2016 to ensure that the Board of Directors' composition would be as set out in the merger project at the moment the merger was to come into effect. Within this context, the Audit and Compliance Committee members Mr. José María Aracama, Ms. Sonsoles Rubio Reinoso y Mr. José María Vázquez Eguskiza comprised this committee from the beginning of 2017 until April 3, 2017 and only the Chair, Ms. Gloria Hernández García, subsequently remained in office.

At its meeting held on April 4, 2017, the Board of Directors of Siemens Gamesa set the number of directors who would be members of the Audit, Compliance and Related-Party Transactions Committee at three and appointed Ms. Swantje Conrad and Mr. Luis Javier Cortés Domínguez as the new members.

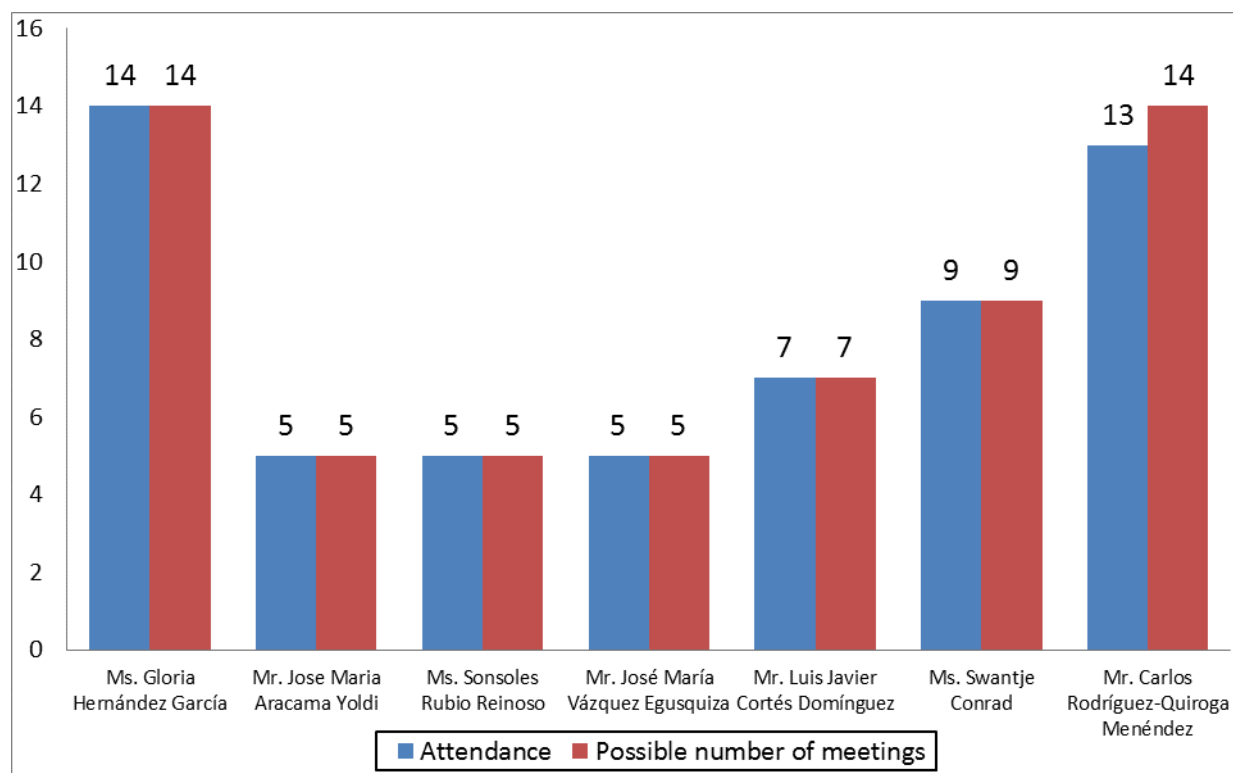
On September 1, 2017, Siemens Gamesa informed that Mr. Luis Javier Cortés Domínguez had tendered his resignation as a member of the Company's Board of Directors due to personal reasons, and thus as a member of its Audit, Compliance and Related-Party Transactions Committee.

As indicated prior to the date of preparation of this report, the existing vacancy had been filled.

Furthermore, Mr. Carlos Rodríguez-Quiroga Menéndez had been relieved of his duties as the committee’s Secretary (non-member) by the date this report was drawn up, an office which is presently held by Mr. Juan Antonio García Fuente.

All the members of the committee are deemed as Non-Executive Directors on the basis of their experience, training and professionalism and all of them are also classified as “Independent” since they meet the requirements of independence set forth in the internal regulations.

As can be seen below, all the Directors who are committee members and its Secretary attended practically all the meetings held. This has therefore resulted in an exceptionally high attendance ratio for its members.



The *curriculum vitae* of the members of the committee can be found at the Company's website (www.siemensgamesa.com).

As can be observed from an analysis of the aforementioned *curriculum vitae*, the committee's members fulfill the criteria and reasons for their appointment, more specifically their knowledge and experience in accounting, auditing, internal control and risk and business management matters.

The amounts received by the committee's members for performing their duties may be consulted in the Annual Director Remuneration Report, which can be found at the Company's website.

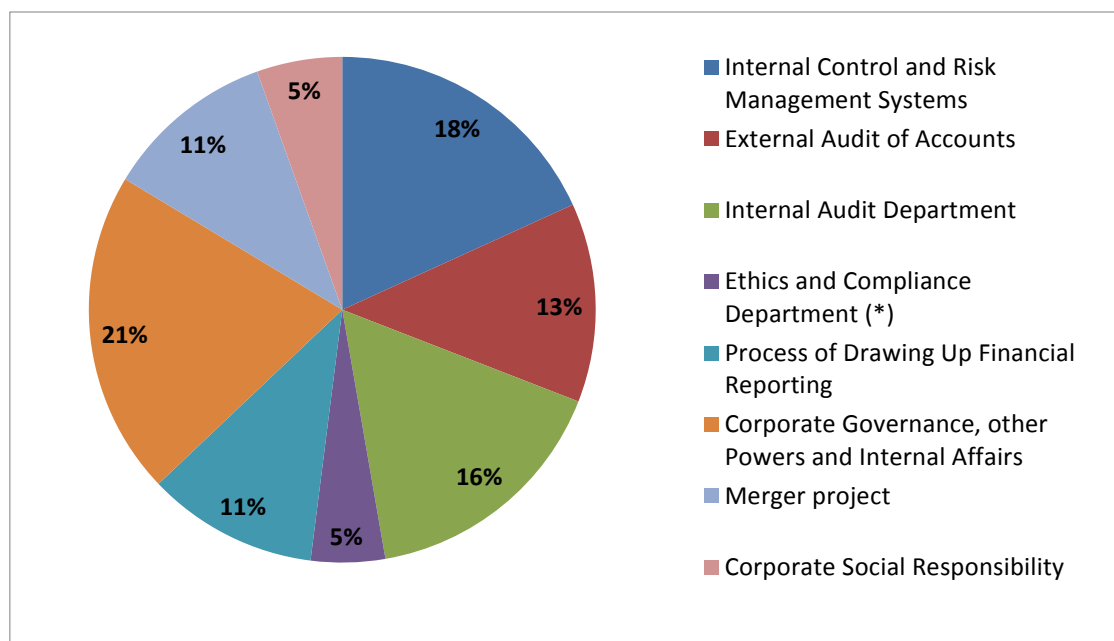
D.- ACTIVITIES DURING 2017

A summary is set out below of the different indicators which sum up the committee’s level of activity in FY 2017, which corresponds the nine-month period running from January 1, 2017 to September 30, 2017 as a result of the aforementioned change in the financial year.

<i>Indicators</i>	<i>Number</i>
Meetings	14
Reports/Notices brought before the Board of Directors	19
Appearances:	
- Internal	66
- External	9

1.- Time Dedicated to Each Duty

The principal issues falling within the main areas of its oversight responsibilities dealt with and analyzed by the committee in 2017 can be grouped together under the following areas in keeping with its duties.



(*) In session held on September 11, 2017 it was established that the Ethics and Compliance Department will appear on a quarterly rather than semiannual basis.

The meetings held by the committee to analyze any operations or transactions that might involve conflicts of interest with shareholders holding significant interests are included under the “Corporate Governance, Other Powers and Internal Affairs” heading.

2.- Appearances by Executives and External Consultants

Quite a large number the senior managers of the Company’s different departments and auditors and consultants appeared before the committee in 2017.

The number of attendances at committee meetings is shown below:

Management	Number of Appearances
Internal Appearances:	
General Finance Department	16
General Corporate Development, Strategy and Integration Department	1
Legal Counsel’s Office	12
Tax Area Manager	3
Project Department	1
Internal Audit Department (*)	11
Corporate Legal Department	2
Litigation Legal Department	1
Procurement Department	1
General Offshore Department	1
Adwen’s Finance Department	1
Ethics and Compliance Department (*)	3
Internal Risk Control Department	6
Offshore Finance Department	1
Insurance Department	2
Social Responsibility Department	1
Accounting and Consolidation Department	3
Subtotal	66
External appearances:	
Auditor of accounts (*)	6
Siemens AG’s Internal Audit Department	1
Consultants	2
Subtotal	9
Total appearances	75

() This number of appearances only includes direct participations in matters under their responsibility. It therefore does not include appearances for regularly attending the committee's meetings to properly fulfil their duties and as a communications channel with the organization.*

Senior managers of the Company's different areas and departments as well as independent external consultants have appeared before the committee in order to provide the committee's members with a general overview, as can be gleaned from the list above.

3.- Duties and Activities

Among other issues, the Committee primarily focused on the following duties entrusted to it by the law and the corporate governance system in 2017:

3.1- External Audit of Accounts

- Report on the auditor of accounts' independence. Before the audit report on the accounts is issued, the committee issues a report expressing its opinion about the auditor of accounts' independence, which is brought before the Board of Directors.
- Prior authorizations for the provision of services other than the auditing of accounts. The new procedure implemented concerning the committee's approval for the provision by the external auditor of services other than the auditing of accounts should be highlighted in this regard. This process is led by this committee and is in line with the process set by Siemens AG as the majority shareholder.
- Appearances of the auditor of accounts at committee meetings to conduct the appropriate monitoring of the audit work process/limited reviews of accounts.
- Appearance the auditor of accounts and monitoring of improvement recommendations for administrative and internal control procedures arising from the auditor's annual account audit work.
- Reviewing the contents of audit reports/limited reviews before they are issued. Within this context, the external auditor presented the new audit report model required for financial year 2017 and in particular its "Key Audit Questions" section at several meetings.

- Analysis of accounting impacts of the merger with Siemens and the acquisition in this context of the Company's additional 50% interest in Adwen's share capital.

3.2- Process of Drawing Up Financial Reporting

- Separate and consolidated annual accounts for financial year 2016.
- Separate/consolidated quarterly and half-yearly financial statements and other reporting disclosed to the market and supervisory authorities during 2017.
- Appearances by Finance Department management and the Accounting and Consolidation Department management to analyze the most significant accounting standards applied, as well as any assumptions and estimates made having a significant effect on the financial statements (including analyses of the accounting impacts of the merger with Siemens).

3.3- Merger Project

- Appearances by independent experts, external auditors, the Finance Department and the Accounting and Consolidation Department within the framework of the merger project, including other aspects such as:
 - Harmonization of accounting policies
 - Opening balance sheet
 - Gamesa's purchase price allocation (reverse takeover)

3.4- Internal Control and Risk Management Systems

- A significant part of its activity in 2017 was comprised of monitoring the new merged company's risk management integration, organizational structure, methodology and the tools used.
- Activity report on the internal financial reporting control system for 2016 and activity plan for 2017.
- Supervision of the risk map, which is updated on a quarterly basis and considers the different kinds of risk, including: operational, technological, financial, legal, tax, reputation-related, etc. Within this context, it is worth highlighting the appearances of

those responsible for legal and tax matters in order to analyze the corresponding risks and their assessment in view of criteria considering their likelihood, impact and evolution (trend).

- Appearance of different executives, allowing them to give an overview from the standpoint of their responsibilities of the situation of the targets set within the framework of the 2015-2017 Business Plan and on the control exercised over the specific risks involved in their activities and processes.

3.5- Internal Audit Department

- The monitoring being carried out by this committee turns out to be relevant to achieve optimal coordination and integration between the respective internal audit plans of Siemens Gamesa and Siemens AG – as the majority shareholder – in the context of the “mandatory elements” concerning the risks of common interest. This allows both groups to fulfill supervisory obligations in keeping with international best practices on good governance.
- Approval of the Internal Audit Department’s budget and activities.
- Monitoring of the area’s activities.

3.6- Ethics and Compliance Department

- Approval and monitoring the Ethics and Compliance Department’s budget and activities.
- Monitoring of the alignment and new scope of the Ethics and Compliance Department’s compliance system in the new merged company.
- Receiving information about fulfillment of the Internal Conduct Regulation and the Code of Conduct.
- Supervision of the Whistleblowing Channel.

3.7- Corporate Governance, Other Powers and Internal Affairs

- Analysis and issuance of a report on any operations or transactions which could involve conflicts of interest with shareholders holding significant interests prior to their approval by the Board of Directors.¹
- Drawing up a report about its activities in 2017 concerning operations or transactions which may have involved conflicts of interest with shareholders holding a significant interest.
- Drawing up this Annual Report on the committee's activities.
- Proposal to amend different internal regulations and the corresponding reports to be brought before the Board of Directors.
- Annual Corporate Governance Report.
- Approval of its Annual Action Plan, or "Time Chart".
- Supervision of the communications strategy in relation to shareholders and investors.
- Corporate Social Responsibility:
 - Corporate Social Responsibility Master Plan 2015-2017.
 - Annual report.
 - Review of the corporate social responsibility policy.

¹ It should be pointed out that Ms. Sonsoles Rubio Reinoso, a member of the Committee who was involved in a potential conflict of interest for being a Proprietary Director put forward by a significant shareholder with whom negotiations were being held on the transactions in question, did not take part in meetings dealing with these transactions or intervene in any way in the deliberations and decision-making according to internal regulations during the time she formed part of this committee as a member.

4.- The Audit, Compliance and Related-Party Transactions Committee’s Reports and Proposals

The different matters dealt with in the reports issued and the proposals put forward by the committee for the consideration and approval of the Board of Directors of Siemens Gamesa are set out below.

The Audit and Compliance Committee’s reports and proposals (*):	Number
<i>Taxation</i>	2
<i>Economic and financial reporting</i>	2
<i>Audit of accounts</i>	3
<i>Transaction with a shareholder holding a significant interest</i>	6
<i>Amendment of AC & RPTC Regulations</i>	1
<i>Corporate governance and other</i>	5
TOTAL	19

(*) Does not include the report brought before the Board of Directors at the end of each of the meetings held on the topics discussed and the conclusions reached.

E.- ASSESSMENT OF THE COMMITTEE

By the date this report was prepared, an independent expert had been commissioned to assess the performance, activities and quality of the commission over the course of 2017 (up to September 30, 2017) in accordance with best corporate practices.

His conclusion stated that:

“In general terms, it should be noted that the Audit, Compliance and Related-Party Transactions Committee is properly organized and run according to the criteria laid down by the Law, Siemens Gamesa’s Articles of Association, its Board of Directors Regulations and the Regulations of the Audit, Compliance and Related-Party Transactions Committee.

More specifically:

- a) The Audit, Compliance and Related-Party Transactions Committee’s composition, organization and the way it is run are appropriate.*
- b) The appropriate actions have been carried out, having met many times during the financial year.*
- c) The content of the matters dealt with is very complete.”*

F.- LINES OF ACTION FORESEEN FOR 2018

Today, once Gamesa has merged with Siemens AG's wind energy business, this committee will continue to monitor the scaled approach and monitoring plan that should lead to the total integration of systems dealing with the following:

- Internal financial reporting control system (ICFR)
- Risk and opportunities management,

As well as the coordination between Internal Audit unit and Siemens' Internal Audit which allows, within the content of good corporate governance, address the 'Mandatory items' of the risks of joint interest and the supervision of the implementation and integration of processes, procedures and internal controls.

Furthermore, it has been deemed opportune to intensify the assessment of emerging and technology risks (like, for instance, cybersecurity) and to delve further into the development of a specific training plan for its members.

Likewise and in order to take into account the set of criteria and good practices included in the Technical Guide 3/2017 on audit committees at public-interest entities issued by the Spanish Securities Market Commission (CNMV), and with the increasing scope and diversity of its functions and responsibilities, it is considered appropriate to assess the need, if necessary, to increase the number of members of the commission.

G.- CONCLUSION

All the aforementioned activities of the Audit, Compliance and Related-Party Transactions Committee through the meetings it held were aimed at adding value and making a contribution to the basic principles drawn up by the Board of Directors that lay behind the responsibilities entrusted to the committee, which have been set out throughout this activity report.

During the course of 2017, the Audit, Compliance and Related-Party Transactions Committee deemed that it was reasonably informed of all the issues within its sphere of competence. It considers that it is properly organized and run, since it has satisfactorily and appropriately fulfilled the responsibilities assigned to it by the Articles of Association of Siemens Gamesa Renewable Energy, S.A., the Board of Directors Regulations and its own internal Regulations.

The committee maintained direct ongoing contact and collaborated with the Group's different Departments, the Ethics and Compliance Department, the Business Risk Control Department, the Social Responsibility Department and the Internal Audit Department, as well as with the external auditor of accounts and other independent external consultants.

The auditor of account's positive conclusions regarding both the consolidated annual accounts and half-yearly interim consolidated financial statements endorse the suitability of the financial reporting and internal control systems for relevant risks.