

**REPORT ON RELATED PARTY TRANSACTIONS WITH SIGNIFICANT SHAREHOLDERS  
AND DIRECTORS REPORTED BY THE AUDIT, COMPLIANCE AND RELATED PARTY  
TRANSACTIONS COMMITTEE DURING FINANCIAL YEAR 2018**

Report of the Audit, Compliance and Related Party Transactions Committee (the “**Committee**”) on its actions during the financial year ended 30 September 2018 in relation to the main transactions by the Company or by the companies making up its group that might have been subject to conflicts of interest with directors, shareholders with a significant interest or shareholders represented on the Board of Directors and persons related thereto (Related Party Transactions).

22 January 2019

## **A. Introduction and background**

Pursuant to the provisions of recommendation number 6 of the Good Governance Code of Listed Companies, the Audit, Compliance and Related Party Transactions Committee of Siemens Gamesa Renewable Energy, S.A. (Siemens Gamesa or the Company) has prepared this report on the related party transactions reported to Siemens Gamesa's Board of Directors during financial year 2018, for purposes of publication thereof on the Company's website upon the call to the General Meeting of Shareholders 2019.

## **B. Regulatory Framework**

### **B.1 Corporate Enterprises Act**

Sections 228 and 229 of the Corporate Enterprises Act (*Ley de Sociedades de Capital*) (LSC) govern conflicts of interest of Directors, requiring the affected Director to abstain from participating in discussions and votes on resolutions or decisions in which they or a related person have a direct or indirect conflict of interest. Resolutions or decisions affecting them in their capacity as a director, such as their appointment to or removal from positions on management decision-making or similar bodies, will be excluded from the aforementioned obligation to abstain. Directors must also take the necessary measures to avoid situations in which their own or third party interests might conflict with the corporate interest or with their duties to the company.

In particular, section 529 *ter* of the LSC provides that a report of the Audit Committee is required for a listed company's Board of Directors to approve transactions by the company or companies of its group with directors or with shareholders having a significant interest, whether individually or collectively with others, including shareholders represented on the board of directors of the company or of other companies that belong to the same group, or with persons related thereto. Affected directors or directors who represent or are related to affected shareholders must abstain from participating in discussions and votes on the resolution in question. Only transactions that simultaneously meet the following three characteristics will be exempt from this approval: 1) they are on standard terms and conditions applied generally to a large number of customers; 2) they are at prices or rates established generally by the party acting as supplier of the goods or services in question; and 3) they are in an amount that does not exceed one per cent of the company's annual turnover.

### **B.2 Regulations of the Board of Directors of Siemens Gamesa and Policy regarding Related Party Transactions with Directors, Significant Shareholders and Parties Related Thereto**

Aware of the importance of properly examining related party transactions with directors, significant shareholders and persons or entities related thereto ("**Related Party Transactions**"), Siemens Gamesa has a corporate governance system that includes the standards and corresponding procedures for the approval and control of said operations, providing appropriate protection of the interest of the company and of the shareholders that are not related parties, and therefore also of minority shareholders, which has been applied to date in rigorous and strict compliance with applicable legal provisions. Without prejudice thereto and from the perspective of the ongoing review and improvement of the corporate governance system, on 23 March 2018 Siemens Gamesa's Board of Directors amended Article 33 of the Regulations of the Board of Directors, which among other things provides that SGRE has a related party transactions policy based on certain principles in line with applicable legal provisions and good governance recommendations<sup>1</sup>.

<sup>1</sup> Given the relevance of the content of said article, we consider it appropriate to reproduce it in full in this Report:

***“Article 33.- Transactions of the Company with Directors and shareholders***

***1. The undertaking of any transaction by the Company or the companies within its Group with directors, with shareholders that individually or collectively hold a shareholding interest considered by law or regulation to be significant at any time or that are represented on the Board of Directors of the Company or of companies within its Group, or with the respective related persons, shall be subject to approval of the Board of Directors, after receiving a report from the Audit, Compliance and Related Party Transactions Committee.***

***2. The Board of Directors, through the Audit, Compliance and Related Party Transactions Committee, shall endeavour to ensure that transactions between the Company or companies within its Group and the directors, shareholders referred to in the preceding section or the respective related persons are carried out in***

In July 2018, in order to comply with the aforementioned Article 33 of the Regulations of the Board of Directors and in view of the ongoing commitment of Siemens Gamesa's Board of Directors to the best good corporate governance practices, the Board of Directors approved a policy regarding related party transactions with directors, significant shareholders and parties related thereto (the "**Policy**") as part of Siemens Gamesa's corporate governance system. This Policy further develops the provisions of the Regulations of the Board of Directors and is intended to describe the rules to be followed in transactions by the Company or any of the companies within the Siemens Gamesa group with directors, with significant shareholders or with persons or entities related thereto. The principles that have underpinned the preparation of this Policy include transparency, arms'-length terms, action in accordance with the corporate interest, defence of the Company's full autonomy and decision-making power and respect for the principal of equal treatment of shareholders, ensuring that the related party does not interfere in the evaluation or decision on approval of the related party transaction. The Policy applies and further develops said regulatory framework taking into account the particularities of Siemens Gamesa, some related to the specific nature of the Company's activities (for example, certain recurring and standardised related party transactions that are within and explained by the ordinary course of business) and others that are circumstantial (for example, the related party transactions resulting from certain specific agreements entered into between Gamesa Corporación Tecnológica, S.A. (now Siemens Gamesa) and Siemens AG within the context of the merger agreements).

Within said regulatory framework, the Audit, Compliance and Related Party Transactions Committee examines the background and requested information and the documentation collected and provided by the Company's Directorates and Units that are interested in the relevant operation or transaction, issuing the corresponding report and making any favourable report to the Board of Directors for purposes of approval thereby.

In light of the information provided by the company, of the reports and requests for additional information made by the Committee (where applicable), all validated by way of certification issued by Internal Audit, of the external reports that the Committee may request (where applicable) and of the statements from senior management in relation to the benefit for the company and interest in the transactions, the Committee analyses and assesses the qualitative and quantitative aspects of the proposed transactions from the perspective of equal treatment of shareholders and the arms'-length terms thereof, concluding that the terms and conditions thereof are fair and in line with the market, and making any favourable reports thereon. The foregoing is subject and without prejudice to any additional aspect or information that may become apparent during the

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*accordance with the corporate interest, on arms'-length terms, ensuring transparency in the process and observing the principle of equal treatment of shareholders in the same condition and according to applicable law. The Board of Directors, with the previous favourable report of the Audit, Compliance and Related Party Transactions Committee, will approve the Related Party Transactions Policy which will develop the regime applicable to such transactions based on the above-mentioned criteria. In order to ensure full transparency on the treatment of related party transactions, the Policy shall always be at the disposal of shareholders and markets in general through the corporate website of the Company.*

*3. An independent expert report will be required in respect of material transactions between the Company or companies within its Group and the directors, shareholders referred to in the first section or their respective related parties. Material transactions will be those defined in the Related Party Transactions Policy. Such report shall in any event be at the disposal of the Board of Directors before approval of the relevant transaction.*

*4. In the case of transactions within the ordinary course of business that are customary and recurring and executed at market prices, general prior framework approval of such transactions by the Board of Directors, after receiving a favourable report from the Audit, Compliance and Related Party Transactions Committee, may be sufficient. The prior framework approval of the Board of Directors for those transactions meeting the foregoing requirements and so determined by any Related Party Transactions Policy approved by the Board of Directors, after a favourable report from the Audit, Compliance and Related Party Transactions Committee, shall also be sufficient.*

*5. In accordance with the applicable law, the approval by the Board of Directors of related party transactions shall not be required if such transactions simultaneously meet all of the following three requirements: (i) they are conducted under contracts whose terms and conditions are standardised and apply on an across-the-board basis to a large number of customers; (ii) they are conducted at prices or rates established on a general basis by the party acting as supplier of the goods or services in question; and (iii) the amount thereof does not exceed one per cent of the annual revenue of the Company based on the audited annual accounts for the last financial year ended on the date of the transaction in question.*

*6. If the transaction has a value of more than ten per cent of the assets appearing on the last approved and audited consolidated balance sheet, the approval must be approved by the shareholders acting at a General Meeting of Shareholders."*

deliberations and assessments of the Board of Directors regarding the approval of the transactions by this body.

**C. Transactions subject to examination by the Audit, Compliance and Related Party Transactions Committee during the financial year ended 30 September 2018**

The principal significant transactions with shareholders having a significant interest or represented on the Board of Directors and persons related thereto that were approved in financial year 2018 with companies making up the Siemens group and the Iberdrola group, both significant shareholders of the Company, are described below.

**C.1 Transactions with companies belonging to the Iberdrola group**

Transactions between companies belonging to the Siemens Gamesa group and companies making up the Iberdrola group are classified as related party transactions because Iberdrola Participaciones, S.A. owns 8.071% of the share capital of Siemens Gamesa Renewable Energy, S.A. and is therefore a significant shareholder.

| <b>Transaction with significant shareholder</b>                 | <b>Date of meeting at which analysed by Committee</b> |
|---|---|
| Wind farm sale agreement  | 16 October 2017                                       |
| Agreement relating to offshore wind farm                        | 27 November 2017                                      |
| Offer to maintain wind farms                                    | 26 January 2018                                       |
| Offer to supply electrical equipment for onshore wind farms     | 26 January 2018                                       |
| Wind turbine supply agreement                                   | 8 February 2018                                       |
| Agreement for supply of replacement parts and services          | 12 March 2018   |
| Operation and maintenance agreement                             | 12 March 2018   |
| Agreement for technical improvement and supply of Energy Thrust | 6 April 2018  |
| Wind turbine supply agreement                                   | 27 April 2018   |
| Wind turbine supply agreement                                   | 27 April 2018   |
| Wind farm connection agreement                                  | 27 April 2018   |
| Wind farm connection agreement                                  | 27 April 2018   |
| Electricity supply agreement                                    | 16 May 2018   |
| Wind turbine supply agreement                                   | 16 May 2018   |
| Wind turbine supply agreement                                   | 4 June 2018   |
| Wind turbine replacement agreement                              | 4 June 2018   |
| Wind farm maintenance agreement                                 | 4 June 2018   |
| Wind farm maintenance agreement                                 | 4 June 2018   |
| Wind farm maintenance agreement                                 | 4 June 2018   |
| Addenda to agreements signed                                    | 9 July 2018   |
| Wind farm maintenance agreement                                 | 9 July 2018   |
| Construction and maintenance of offshore wind farm              | 23 July 2018  |
| Energy Thrust solution supply agreement                         | 23 July 2018  |
| Renewal of wind farm maintenance agreement                      | 3 September 2018                                      |

## C.2 Transactions with companies belonging to the Siemens group

Transactions between companies belonging to the Siemens Gamesa group and companies making up the Siemens group are classified as related party transactions because Siemens AG owns 59% of the share capital of Siemens Gamesa Renewable Energy, S.A. and is therefore a significant shareholder.

| Transaction with significant shareholder  | Date of meeting at which analysed by Committee |
|---|--|
| Letter of intent for strategic project  | 16 October 2017                                |
| Support agreement for localisation activities in Russia                                   | 26 January 2018                                |
| Acquisition of electricity component for energy storage                                   | 12 March 2018                                  |
| Exchange rate hedge agreement   | 8 February and 12 March 2018                   |
| Agreement for sale of photovoltaic solar power stations for photovoltaic plant            | 6 April 2018                                   |
| Software design training services agreement   | 6 April 2018                                   |
| Agreement for temporary renewal of certain Procurement-related services                   | 6 April 2018                                   |
| Agreement to support United States sales activities                                       | 22 February, 12 March and 6 April 2018         |
| Agreement for provision of assembly services  | 16 May and 4 June 2018                         |
| Agreement for temporary renewal of certain Procurement-related services                   | 4 June 2018                                    |
| Consortium agreement to supply a wind farm  | 4 June and 11 June 2018                        |
| Agreement on indirect purchases   | 16 May, 4 June and 9 July 2018                 |
| Project Manager certification services agreement  | 9 July 2018                                    |
| Collaboration agreement in the electric-thermal energy storage research area              | 9 July 2018                                    |
| Software licence and maintenance agreement  | 9 July 2018                                    |
| Component supply agreement for wind farm  | 9 July and 3 September 2018                    |
| Component supply agreement for wind farm  | 9 July and 3 September 2018                    |
| Wind farm substation supply   | 9 July, 3 September and 3 October 2018         |
| Support services for processing of data and information relating to standard-cost centres | 3 September 2018                               |
| Administration services related to the management of patents and intellectual property    | 3 September and 3 October 2018                 |

Additionally, and according to the Policy, the Committee regularly supervises the evolution of the following agreements: purchase of components to SIEMENS within the frame of the strategic supply agreement signed on the occasion of the merger and pursuant to which SIEMENS becomes SIEMENS GAMESA's strategic supplier of gear-boxes, segments and other products and services offered by the SIEMENS Group; (ii) the transitory services agreements between SIEMENS GAMESA and Siemens AG signed on occasion of the merger in functional areas being integrated on account of such merger, in order to ensure continuity of the business until SIEMENS GAMESA begins establishing or adapting its own capabilities to provide such services or to cover the transition, until the services are internalized or can be engaged with an external supplier; and (iii) transactions involving synergy in the areas of marketing and sale of products within the frame of the Regional Support Agreement referred in the Policy.

### **C.3 Transactions with Directors**

Finally, SIEMENS GAMESA and the companies of its group has not carried out transactions with its Directors during fiscal year 2018. Notwithstanding the above and as disclosed in the company's Annual Accounts, on the 28<sup>th</sup> of September 2018 the SIEMENS GAMESA group reached an agreement with Schaeffler Technologies AG & Co. KG in relation to a preceding supply contract. The Chief Executive Officer of Schaeffler AG is the Director Mr. Klaus Rosenfeld who did not attend or participate in the deliberation, voting, decision and execution of this transaction.

### **D. Conclusions**

All the transactions with shareholders to which this Report refers have been approved by the Company's Board of Directors upon a favourable report from the Audit, Compliance and Related Party Transactions Committee.

The Directors of Siemens Gamesa affected by a conflict or appointed at the request of or related to Siemens or Iberdrola have not participated in discussions or votes on any relevant resolution, as part of either the Audit, Compliance and Related Party Transactions Committee (made up solely of external independent Directors) or the Board of Directors.

Siemens Gamesa's directors have considered the compatibility of each transaction with the corporate interest of Siemens Gamesa in terms of both opportunity and terms and conditions, without prejudice to taking into account specific factors resulting from Siemens Gamesa belonging to the Siemens group, from which it obtains benefits resulting from the generation of synergies, coordination of best practices and obtaining of economies of scale in certain areas.

The Committee has obtained the expert advice of a third party when so required due to the specific nature of the subject-matter or the absence of comparable market prices.

**In addition to the information set forth in this report, all transactions that are significant due to their amount or subject-matter during financial year 2018 between the company and the companies belonging to its group and shareholders having a shareholding legally classified as significant in the Company or with persons related thereto (within the meaning established in Section 231 of the Corporate Enterprises Act), or with other related parties, are described in the company's Annual Accounts and Annual Corporate Governance Report for financial year 2018, which are available on the company's website.**

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