

Report prepared by the Appointments and Remuneration Committee of Siemens Gamesa Renewable Energy, S.A. relating to the proposed approval of the Policy of Remuneration of Directors that is submitted under item twelve on the Agenda for the Annual General Meeting of Shareholders to be held on 27 March 2019, on first call, or on 28 March 2019, on second call.

This document has been prepared in accordance with the provisions of section 529 *novodecies* of Law 31/2014, of 3 December, amending the Corporate Enterprises Act (*Ley de Sociedades de Capital*) (the “**LSC**”) for the improvement of corporate governance, which establishes as an obligation of the shareholders at the General Meeting of Shareholders the approval of the policy of remuneration of directors. Said policy must include provisions relating to both non-executive directors and the remuneration framework for directors performing executive duties, given that section 529 *novodecies.2* provides that any remuneration received by directors for the performance of executive duties shall be in line with the policy of remuneration of directors that is in force from time to time.

The remuneration policy shall be a multi-year policy and must be submitted for the approval of the shareholders at the General Meeting of Shareholders at least every three years as a separate item on the Agenda.

The aforementioned section 529 *novodecies* establishes that the policy of remuneration of directors shall be reasoned and shall be accompanied by a specific report from the Appointments and Remuneration Committee; both documents must be published on the corporate website as from the call to the General Meeting, and the Company must expressly grant the shareholders the right to request the free-of-charge delivery or shipping thereof. There shall be an express reference to this right in the announcement of the call to Meeting.

This document constitutes the reasoned legal report providing a rationale for the policy of remuneration of directors that is described below, which will be submitted for the approval of the Board of Directors for submission to the shareholders at the 2019 Annual General Meeting of Shareholders.

1. Background

At the General Meeting of Shareholders of SIEMENS GAMESA RENEWABLE ENERGY, S.A. (“**Siemens Gamesa**” or the “**Company**”) held on 20 June 2017, the shareholders resolved to approve a policy of remuneration of the Company’s directors aligned with the specific needs and circumstances of the corporate transaction that took place between Gamesa Corporación Tecnológica, S.A. and Siemens Wind Holdco, S.L. The effective period of said policy covers financial years 2017, 2018 and 2019.

In accordance with the provisions of article 8 of the Regulations of the Company’s Appointments and Remuneration Committee (the “**ARC**” or the “**Committee**”), the Committee is assigned duties including proposing the policy of remuneration of directors to the Board of Directors, ensuring compliance therewith and annually reviewing the suitability thereof.

As part of the decision-making process, the Appointments and Remuneration Committee has conducted a review of said remuneration policy with a comprehensive and rigorous approach.

Following said process, the ARC believes it appropriate to propose a new policy of remuneration of directors (the “**remuneration policy**” or the “**policy of remuneration of directors**”) for approval. This proposed new policy will be aligned with the provisions of the LSC and will be effective for 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 new policy of remuneration of directors is consistent with the previous one, although it introduces aspects that improve the alignment thereof with applicable law and best market practices and that are in line with the latest good corporate governance recommendations regarding director remuneration.

2. The Appointments and Remuneration Committee

As provided in article 9 of the Regulations of the Appointments and Remuneration Committee and article 24 of the Regulations of the Board of Directors of Siemens Gamesa, the ARC must be made up exclusively of non-executive directors, of whom at least two must be independent; it is for the Board of Directors to establish the number of members, with a minimum of three and a maximum of five directors.

As at the date of preparation of this report, the ARC is made up of five directors, with experience in the matters within the purview of the Committee and the ability to conduct an appropriate and independent assessment of remuneration policies and practices.

Name	Position	Classification
Mr Andoni Cendoya	Chair	Independent
Ms Swantje Conrad	Member	Independent
Mr Klaus Rosenfeld	Member	Independent
Ms Mariel von Schumann	Member	Proprietary
Mr Pedro Azagra	Member	Proprietary

The ARC has the following powers pursuant to articles 5 and 8 of the Regulations of the Appointments and Remuneration Committee:

- Overseeing the remuneration of the Company's Board of Directors and Top Management.
- Proposing to the Board of Directors: (i) the system and amount of annual remuneration of directors, business CEOs and those performing Top Management duties and reporting directly to the Board of Directors, to executive committees or to the CEO; (ii) individual remuneration and other basic terms and conditions of executive directors' contracts, including potential compensation that may be established in the event of cessation, ensuring observance thereof; and (iii) the Annual Director Remuneration Report.
- Reporting on: (i) 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; (ii) the CEO's proposal on the top managers' remuneration structure and other basic terms and conditions of their contracts, including potential compensation or indemnification that may be established in the event of cessation; (iii) general multi-year incentive systems and pension supplements; (iv) remuneration systems linked to the listing price of shares, or involving the delivery of shares or share options, for directors, members of Top Management and other employees; and (v) documents to be approved by the Board of Directors for general dissemination thereof in relation to information on remuneration.
- Ensuring compliance with the remuneration policy established by the Company and annually reviewing the suitability and results thereof.

The ARC shall meet as often as is necessary in the opinion of its chair, who must call a meeting whenever the Board of Directors so requests and in any case whenever it is appropriate for the proper performance of the ARC's duties. The Committee shall also meet whenever at least two of its members so request.

3. Foundations of the policy of remuneration of directors

The policy of remuneration of directors that is submitted for approval below is based on the following foundations, which are consistent with those of the remuneration policy in force until the date on which the new remuneration policy is approved, if at all:

a) The following general principles:

- 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.
- Absence of variable remuneration components for non-executive directors, in order to secure full independence with respect to remuneration of executive directors and of senior management.
- Amount of remuneration of non-executive directors offering an incentive without affecting the independence, taking the form of a fixed monthly allowance and an attendance fee.

b) Guidelines from institutional investors and proxy advisors.

c) The provisions of Siemens Gamesa's corporate rules (By-Laws, Regulations of the Board of Directors and Regulations of the Appointments and Remuneration Committee) and the principles established in the Company's corporate governance policy.

- d) Applicable law. The ARC has verified that the proposed new policy of remuneration of directors is in line with the general provisions established for corporate enterprises in section 217.4 LSC, which provides that:

“The remuneration of directors must in all cases be reasonably proportionate to the importance of the company, its financial condition at any time and the market standards at comparable companies. The remuneration system that is established must be aimed at promoting the long-term profitability and sustainability of the company and include the necessary safeguards to prevent the excessive assumption of risks or the rewarding of unfavourable results.”

4. Rationale for changes introduced in comparison with the policy of remuneration of directors approved by the shareholders at the Annual General Meeting of Shareholders held on 20 June 2017

Based on the foundations described in the preceding section, the Committee has proposed, for approval by the Board of Directors and subsequent submission to the shareholders at the 2019 General Meeting of Shareholders, a remuneration policy with the following essential elements:

4.1. In relation to the remuneration of directors in their capacity as members of the Board of Directors

- It includes details of the maximum amounts of fixed remuneration to be received by the directors in their capacity as such, as well as the aim and implementation of each remuneration component established in the policy of remuneration of directors in their capacity as such. These details are provided for each of the duties and responsibilities assumed by the directors:
 - Membership of the Board of Directors.
 - Membership of committees of the Board of Directors.
 - Chairing any of the committees of the Board of Directors.
 - Holding any positions that require additional dedication (Chair of the Board of Directors; Vice Chair of the Board of Directors; and lead independent director).
- It includes details of the amounts of fees for attendance at meetings of the Board of Directors and its committees, as member or as Chair.
- It introduces the provision that members of the Board of Directors may waive collection of any remuneration items that correspond thereto, as happened during the last financial year and as was duly reported in the latest Annual Director Remuneration Report published by the Company.

In this regard, with the remuneration of directors in their capacity as such the ARC seeks to reflect the importance of a company such as Siemens Gamesa, specifically with respect to its size, complexity and presence in the market, as well as to comply with the principle of linking director remuneration with a director’s effective dedication to the position, responsibility and duties.

4.2. In relation to director remuneration for the performance of their executive duties

The new remuneration policy includes a specific remuneration system for each director who is currently performing executive duties at the Company. These are the CEO and the legal counsel/secretary and member of the Board of Directors.

As regards the CEO:

- It includes details of the maximum amount of annual fixed remuneration, and establishes limits on the maximum annual increase in said remuneration.
- It includes the fixed amount to be received by the CEO as a participant in a long-term savings scheme, as well as details of the implementation thereof.
- It includes the target amount and the maximum amount that the CEO may receive as beneficiary of an annual variable remuneration system.

With respect to the limit reported by the Company in the latest Annual Director Remuneration Report, in the event of extraordinary performance and outperformance of the objectives linked to this remuneration system, the maximum amount to be received by the CEO has been increased by 70%; said amount now reaches a limit of 200% of annual fixed remuneration.

- It includes the annualised target and maximum amounts as a result of the CEO's participation in long-term remuneration plans, as well as the existence of a minimum threshold for achievement of the objectives to which these incentive plans are linked. In accordance with the provisions of the LSC, it also includes information on the types of metrics to which these plans can be linked

Likewise, the company establishes a limitation by which the amount to be received by the CEO derived from its participation in each of the cycles of the Plan does not exceed an amount.

The company will inform and explain the characteristics of the Plan and its minimum and maximum thresholds for achieving the incentive payment objectives in the Annual Director's Remunerations Report of next year.

With regard to the objectives to be linked to the payment of any incentive as beneficiary of the previous plan, it includes the detail of the financial and non-financial metrics to which the plan will be linked after its approval, where appropriate, by the General meeting of Shareholders.

- It includes more details regarding the main terms and conditions of the CEO's contract. Specifically:
 - The notice period for situations involving cessation of the contractual relationship whether upon the Company's decision or upon a decision of the CEO.
 - The amount established as an indemnity for early cessation or termination of the contractual relationship.
 - The amount established as compensation under the post-contractual non-compete agreement.

As regards the legal counsel/secretary and member of the Board of Directors:

- It includes details of the maximum amount of annual fixed remuneration, as well as the potential review and update thereof based on criteria approved by the ARC from time to time, including performance and continuity in the position, evolution of the Company's results, complexity of the business, geographic diversity and market benchmarks.
- It includes the main particular contractual terms and conditions for the legal counsel/secretary and member of the Board of Directors.

A new section is also included in the remuneration policy that will be applicable to new executive directors of the Company, for purposes of facilitating the attraction, retention and motivation thereof.

5. Effective period

The policy of remuneration of directors shall be effective during the financial years ending in September 2019, September 2020 and September 2021, without prejudice to any adjustments or updates made by the Board of Directors as provided therein, or such amendments as may be approved from time to time by the shareholders at the General Meeting of Shareholders of Siemens Gamesa.

6. Conclusion

Based on the foregoing, the ARC concludes that the policy of remuneration of directors that the Board of Directors submits to the shareholders at the General Meeting of Shareholders for approval thereby is in accordance with applicable law and follows the latest remuneration recommendations and best practices, and also conforms to the following principles:

- The amount of remuneration satisfies the principles of balance and prudence, and it offers an incentive by remunerating directors for their dedication, qualifications and responsibility without representing an obstacle to the independence thereof.
- It respects the good corporate governance principles and recommendations adopted by the Company, as well as those established in the internal rules thereof.
- It takes into account market trends and is positioned vis-à-vis the market in accordance with the Company's strategic approach, as well as guidelines from institutional investors and proxy advisors; it is hence effective in attracting, motivating and retaining the best professionals.
- The remuneration of directors in their capacity as such is exclusively fixed in nature, for membership and attendance at meetings of the Board of Directors and its committees, and it does not include variable components.
- Only the CEO receives variable remuneration. Said remuneration is made up of an annual and multi-year component, with a long-term view that drives the CEO's actions by aligning his interests with those of the shareholders.

In the opinion of the ARC, all of the foregoing enables Siemens Gamesa to have an appropriate remuneration policy for the coming years that is aligned with the interests of the shareholders.

And for such legal purposes as may be appropriate, it is stated for the record that the Appointments and Remuneration Committee has prepared this report on the proposed "Policy of Remuneration of Directors of Siemens Gamesa Renewable Energy, S.A. 2019-2021" at its meeting held on 12 February 2019.