

**APPOINTMENTS AND REMUNERATION
COMMITTEE**

**ACTIVITIES REPORT
FOR FINANCIAL YEAR 2018**

23 November 2018

Prepared by the Appointments and Remuneration Committee and approved by the Board of Directors to be made available to the shareholders at the Annual General Meeting 2019.

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A.- INTRODUCTION

Pursuant to the provisions of Recommendation 6 of the Good Governance Code of Listed Companies and Articles 22 and 23.4 of the Regulations of the Appointments and Remuneration Committee (hereinafter, the “**Committee**” or the “**ARC**”) of Siemens Gamesa Renewable Energy, S.A. (hereinafter, “**Siemens Gamesa**” or the “**Company**”), this report on the activities of the Committee is prepared for financial year 2018 (the “**Report**”). Once approved by the Board of Directors of Siemens Gamesa, this Report shall be made available to the shareholders and investors upon the call to the annual General Meeting of Shareholders.

The shareholders acting at the General Meeting of Shareholders of the Company held on 20 June 2017 approved a change in the financial year-end by changing the financial year so that it begins on 1 October of each year and ends on 30 September of the following year. Therefore, the Report reflects the activities of the Committee at its meetings held during the financial year running from 1 October 2017 to 30 September 2018.

With the publication of this report, Siemens Gamesa ratifies its firm commitment to transparency and to the adoption of best corporate governance practices.

B.- REGULATION OF THE COMMITTEE

The ARC is an internal informational and consultative body created by the Board of Directors, without executive duties, with information, advisory and proposal-making powers within its scope of action.

This consultative committee, which is mandatory for listed companies since the entry into force of Law 31/2014 of 3 December amending the Corporate Enterprises Act for the Reform of Corporate Governance, was created on 4 April 2017, by means of the merger and replacement of the Appointments Committee and the Remuneration Committee that were in place until that date. The rules applicable to the committee are currently found in section 529 *quindecies* of the Corporate Enterprises Act, article 35.2 of the By-Laws, and article 24 of the Regulations of the Board of Directors, and in the Regulations of the Appointments and Remuneration Committee itself. In addition to complying with legal requirements, the regulation of the Committee follows the operational principles and recommendations established in the February 2015 Good Governance Code of Listed Companies of the National Securities Market Commission, which strengthens the specialisation and independence of the Committee.

All of these internal rules of Siemens Gamesa (By-Laws, Regulations of the Board of Directors and Regulations of the Appointments and Remuneration Committee) are available to the public on the corporate website of the Company (<https://www.siemensgamesa.com/en-int/investors-and-shareholders>).

C.- OPERATION AND RESPONSIBILITIES OF THE COMMITTEE

Pursuant to Article 16 of the *Regulations of the Appointments and Remuneration Committee*, the Committee shall meet as often as necessary to exercise its powers, by instruction of its chair. It must also meet when so requested by at least two of its members. The chair shall in any event call a meeting of the Committee if the Board of Directors so requests.

The internal operation of the Appointments and Remuneration Committee, especially in respect of the call to meeting and valid holding thereof and the adoption of resolutions and all matters not provided for in its specific Regulations, shall follow the rules established for the Board of Directors in the By-Laws and in the Regulations of the Board of Directors, provided that they are compatible with the nature and function of the Committee.

Meetings are planned by the Chair of the Committee, who informs the Committee's Secretary thereof in order for the members to receive the relevant documentation sufficiently in advance (generally, at least three to six business days in advance). All of the foregoing takes into account that the members of the Committee mainly have duties of supervision and advice, and should not intervene in the performance or management of matters, which fall within the authority of Management.

The relevant documentation for each meeting (agenda, presentations, reports, minutes of prior meetings and other supporting documentation) is provided to the members of the Committee using mechanisms activated for such purpose that ensure the confidentiality of the information.

At all its meetings, the Committee properly investigates the various matters submitted for its deliberation and any decision. Its members actively participate in the various debates and discussions, stating their opinion with respect thereto when they deem it appropriate.

The deliberations of the Committee, and the resolutions and decisions adopted thereby, are documented in the relevant Minutes for each meeting, which are prepared by the Secretary of such Committee after the completion of the meeting and distributed to its members for acceptance and comments. They are then submitted for approval as the first item on the Agenda for the next meeting of the Committee, and signed by the Secretary with the approval of the Chair.

As with the other Committees of the Board, relations between the Committee and the Board of Directors are based on a principle of full transparency. In this regard, at the beginning of the meeting of the Board of Directors, the Chair of the Committee reports to the Board on each of its meetings and on the main issues handled and the activities and work performed by the Committee; even making available the Minutes and sometimes the corresponding documentation, so that the Board is aware of such actions in the exercise of its powers.

As supporting bodies, and without prejudice to the duties legally assigned to the Secretary of the Committee in relation to advising and supporting the members in the exercise and best performance of the duties assigned thereto, the Appointments and Remuneration Committee has an appropriate framework for relations of coordination and information with the Company's senior management, and through its Chair can obtain the collaboration of the members of the Company's senior management as provided in article 25 of the *Regulations of the Appointments and Remuneration Committee*.

Finally, to best perform its duties, the Committee can obtain the advice of external professionals, which power it used as described in this Report.

Without prejudice to any other task assigned thereto by the Board of Directors, the duties and powers of the Committee are established in articles 5 to 8 of its Regulations and can be grouped into the following basic categories: (i) powers regarding the composition of the Board of Directors and of its committees and the process of appointing internal positions on the Board of Directors and top management; (ii) powers in relation to the operation of the Board of Directors and of its committees and top management; and (iii) powers regarding the remuneration of the Directors and top management of the Company and its group.

Some of the issues that the Committee analyses at its meetings relate to legal requirements or good governance recommendations, while others fall within different competencies of the Committee.

The most significant activities carried out by the Committee during financial year 2018 are described below, grouped around the basic duties thereof for purposes of presentation.

- 1. Powers regarding the composition of the Board of Directors and of the committees thereof and regarding the process of designation of internal positions of the Board of Directors and top management (Article 6 of the *Regulations of the Appointments and Remuneration Committee*)**
 - Issuance of reports and preparation of proposals of the Company regarding the appointment or re-election of the independent directors of the Company.
 - Evaluation of the qualifications of the various candidates and assignment thereof to one of the categories of directors contemplated in the By-Laws.
 - Issuance of reports and preparation of proposals relating to the appointment or removal of members who are to form a part of the consultative committees (including the Secretary thereof) and internal top management positions.
 - Issuance of reports and preparation of proposals regarding the definition and organisation of the organisational structure, the organisational chart and the nomenclature of top management implemented by the CEO.

- 2. Powers regarding the operation of the Board of Directors and of the committees thereof and top management (Article 7 of the *Regulations of the Appointments and Remuneration Committee*)**
 - Regular review and advice to the Board of Directors and its committees regarding the most appropriate configuration thereof.

- Verification that the persons to be appointed to the office of director meet the requirements of respectability, capability, expertise, competence, experience, qualifications, training, availability and commitment to their duties and that they are not affected, directly or indirectly, by any of the established instances of disqualification from or prohibition against holding office or interests in conflict with or contrary to the corporate interest.
- Ensuring that the selection procedures do not suffer from implicit bias that might involve any discrimination and that they foster the diversity of the members of the Board of Directors, particularly as regards gender, professional experience, competencies, industry knowledge and geographic origin.
- Selecting candidates to be appointed as Directors and ensuring compliance with the selection policy.
- Instituting the annual evaluation of the performance of the Board of Directors, the Audit, Compliance and Related Party Transactions Committee and the Appointments and Remuneration Committee itself.

3. Powers regarding the remuneration of the Directors and top management of the Company and its group (Article 8 of the *Regulations of the Appointments and Remuneration Committee*)

- Proposal to the Board of Directors of the system and amount of annual remuneration of the directors, of the CEOs, or of those performing the duties of Top Management reporting directly to the Board of Directors, as well as the individual remuneration of executive directors and other basic terms of their contracts, in any event pursuant to the provisions of the Corporate Governance System and the Director Remuneration Policy approved by the shareholders acting at the General Meeting of Shareholders.
- Proposal to the Board of Directors of any compensation or severance for directors payable in the event of removal, in any event pursuant to the provisions of the Corporate Governance System and the Director Remuneration Policy approved by the shareholders acting at the General Meeting of Shareholders.
- Proposal to the Board of Directors of the Annual Director Remuneration Report.
- Issuance of report and submission to the Board of the proposals of the CEO regarding the structure of remuneration payable to top management and the basic terms of their contracts.
- Issuance of report and submission to the Board of the proposals of the CEO regarding the compensation or severance payments for the removal of top management.
- Report to the Board on multi-annual incentive systems.
- Report to the Board on the sections affecting this Committee in the Annual Corporate Governance Report, the Sustainability Report and the Annual Accounts.

- Preparation of this Report.

C.- COMPOSITION OF THE COMMITTEE

As to its composition, pursuant to the provisions of Chapter III of its Regulations, the Appointments and Remuneration Committee:

- a) shall be composed of a minimum of three (3) and a maximum of five (5) non-executive Directors, at least two of whom must be independent directors.
- b) shall choose from among its members a Chair, who must in any case be an independent Director.
- a) Shall appoint a Secretary, who need not be a Director.

The following table shows the composition of the Appointments and Remuneration Committee as at 30 September 2017:

Name and Surname	Position	Classification
Mr Andoni Cendoya	Chair	Independent
Ms Mariel von Schumann	Member	Proprietary
Ms Swantje Conrad	Member	Independent
Mr Klaus Rosenfeld	Member	Independent
Ms Sonsoles Rubio	Member	Proprietary
Mr Carlos Rodríguez-Quiroga	Non-member Secretary	N/A

All members of the Committee are External Directors, based on their experience, skill and professionalism, and those classified as “Independent” meet the requirements of independence established in the internal rules. It should be noted that the Committee is currently made up of a majority of independent external Directors.

The curricula vitae of the members of this committee are available on the website of Siemens Gamesa (<https://www.siemensgamesa.com/en-int>).

The amounts received by the members of the committee for the performance of their duties can be found in the Annual Director Remuneration Report, which is located on the website of Siemens Gamesa (<http://www.siemensgamesa.com/en-int>).

The composition of the Appointments and Remuneration Committee changed on 17 April 2018, when the Board of Directors, at its meeting held on the same date and after a report from the Appointments and Remuneration Committee, approved the appointment of Ms Mariel von Schumann as a new member of the Appointments and Remuneration Committee to replace Ms Lisa Davis, who resigned from her position on said committee although she continues in her position as a member of the Board of Directors.

D.- MEETINGS OF THE COMMITTEE AND ATTENDANCE DURING FINANCIAL YEAR 2018

The Committee shall meet as many times as necessary by instruction of its Chair. It shall also meet when so requested by two of its members.

Pursuant to its regulations, the Committee approves an annual schedule of meetings for the exercise of its powers, which takes into account, among other aspects, the meeting schedule of the Board of Directors and the date of the annual General Meeting of Shareholders. The annual schedule of meetings is set with the intention of ensuring compliance with assigned responsibilities and allowing for proper coordination with all bodies involved.

At a meeting held on 21 November 2017, the Committee also approved its Annual Activities Plan for financial year 2018 in order to have an appropriate plan to ensure that objectives are efficiently met. The Annual Activities Plan contains the annual schedule of meetings and establishes a preview of the issues to be handled at each of them. The regular review and update of this scorecard is a tool to flexibly establish the rigour required for the proper operation and effectiveness of the work performed by the Committee. In any event, this does not prevent the holding of special meetings of the Committee whenever the exercise of its powers so requires.

The Appointments and Remuneration Committee held seven (7) meetings during financial year 2018. The Appointments and Remuneration Committee did not adopt any resolutions without a meeting during financial year 2018.

Meetings duly called by its Chair were held by the Appointments and Remuneration Committee on the following dates:

1. 16 October 2017
2. 19 October 2017
3. Single meeting held on 21 and 23 November 2017
4. 25 January 2018
5. 7 February 2018
6. 5 April 2018
7. Single meeting held on 16 and 26 July 2018

Attendance is taken at the beginning of each meeting and recorded in the corresponding Minutes.

Number of Meetings and Attendance

Mr Andoni Cendoya Zaramendi	7/7
Ms Swantje Conrad	7/7
Mr Klaus Rosenfeld	3/7
Ms Sonsoles Rubio	7/7
Ms Lisa Davis	6/6
Ms Mariel von Schumann	1/1

* The first figure indicates the number of meetings that the Director has attended and the second indicates the number of meetings held during the period of the financial year in which the Director is or was a member of the Committee.

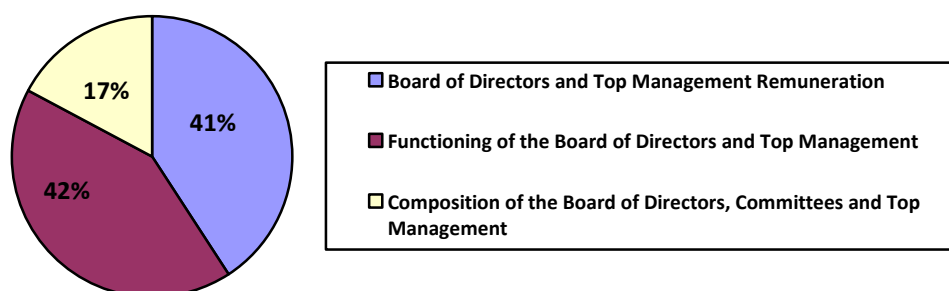
D.- ACTIVITIES DURING FINANCIAL YEAR 2018

The main issues handled and analysed by the Committee within its principal areas of supervision can be summarised as follows:

- At its meeting of 16 October 2017, it proposed the appointment on an interim basis (co-option) of Mr Alberto Alonso Ureba as independent Director to fill the vacancy left by the Director Mr Luis Javier Cortés Domínguez. At its meeting of 7 February 2018 and pursuant to Section 529 *decies.4* of the Corporate Enterprises Act and article 6.1.a) of the *Regulations of the Appointments and Remuneration Committee*, the Committee proposed to the Board the ratification and re-election of the interim appointment of the Director Mr Alberto Alonso Ureba for subsequent submission to the shareholders at the General Meeting.
- At its meeting of 21 November 2017, the Appointments and Remuneration Committee favourably reported to the Board (to the extent within its purview): (i) regarding the annual corporate governance report for financial year 2017, which was approved by the Board; and (ii) regarding the annual Director remuneration report for financial year 2017, which was also approved by the Board.
- At its meeting of 5 April 2018, the Committee favourably reported on the appointment of Ms Mariel von Schumann as a new member of the Appointments and Remuneration Committee to replace Ms Lisa Davis, who resigned from her position on said committee although she continues in her position as a member of the Board of Directors.
- Pursuant to the director selection policy, and under article 14 of the Regulations of the Board, the Board of Directors (and thus the Appointments and Remuneration Committee) shall make an effort to ensure that the procedures for selecting the members of the Board ensure the individual and collective qualifications of the directors, favouring diversity of gender, experience and knowledge, and are free from any implied bias entailing any kind of discrimination. Upon each appointment of directors, the Appointments and Remuneration Committee has performed the relevant analysis regarding the suitability thereof, reporting favourably, when appropriate, on their business and professional respectability and on the sufficiency of their knowledge and experience for the holding of the position. In the process of appointing new directors, the Appointments and Remuneration Committee has evaluated the existing balance of knowledge, skills, ability, diversity and experience within the Board of Directors.
- As to the appointment of members of top management, during financial year 2018 the Appointments and Remuneration Committee favourably reported on, among other things, the following appointments, which were approved by the Board of Directors:
 - Mr Andreas Nauen, as head of the Offshore area
 - Mr Miguel Ángel López, as head of the finance area (CFO)
 - Mr Juergen Bartl, as General Secretary
- It has also dealt with the Company's new compensation and benefits structure and fulfilment of targets for the various (short- and long-term) incentives.

- Pursuant to the provisions of article 7.8 of the *Regulations of the Appointments and Remuneration Committee*, at its meeting of 21 November 2017, the Appointments and Remuneration Committee performed the annual evaluation of its operation during financial year 2017 and of the quality of its work and the performance of the duties entrusted thereto by the By-Laws and its own regulations, and it prepared the reports on evaluation of the Board of Directors, the Appointments and Remuneration Committee, the Audit, Compliance and Related Party Transactions Committee and each Director.
- Annual Corporate Governance Report. The Committee also reviewed and favourably reported on the contents of the Annual Corporate Governance Report of Siemens Gamesa Renewable Energy, S.A. for financial year 2017, which conformed to the model established by Circular 7/2015, of 22 December, of the National Securities Market Commission, and which was subsequently approved by the Company's Board of Directors.
- Annual Report on Director Remuneration. The Committee also reviewed and favourably reported on the Director Remuneration Report for financial year 2017, which was prepared in accordance with Circular 7/2015, of 22 December, of the National Securities Market Commission, and which was subsequently approved by the Board of Directors and later in a consultative vote by the shareholders acting at the General Meeting of Shareholders.

The chart below shows the approximate breakdown of time dedicated by the Committee to the performance of the most significant duties described in the above section during financial year 2018.



Apart from its members, the meetings of this Committee are typically attended by the members of senior management of Siemens Gamesa Renewable Energy, S.A. who, due to the duties and powers assigned thereto, can provide support and assistance to the members of the Committee on the matters analysed at each of its meetings. The CEO, the Corporate Human Resources Director and the General Secretary usually attend the meetings of the Committee.

The Committee (through its Chair) has obtained the external advice of law firms or consulting firms when deemed necessary. In particular, it has obtained advice from the following law firms and consulting firms during financial year 2018:

Uria Mendendez Abogados S.L.P.

PricewaterhouseCoopers S.L.

Lupicinio Abogados

Garrigues

Towers Watson

Russell Reynolds

Professor Antonio Perdices

Egon Zehnder

E.- VERIFICATION OF COMPLIANCE WITH THE DIRECTOR SELECTION POLICY

The verification performed by the Appointments and Remuneration Committee regarding compliance with the “Director Selection Policy” during financial year 2018 has yielded the following conclusions:

- The Appointments and Remuneration Committee confirms that the Company’s processes for the selection and appointment of directors have complied during financial year 2018 with the requirements imposed by law and the Corporate Governance Rules of Siemens Gamesa, as well as with the recommendations of the Good Governance Code.
- The Appointments and Remuneration Committee has expressly verified that the process of selecting candidates for director as well as their subsequent appointment as members of the Board of Directors during financial year 2018 complied with the latest version of the “Director Selection Policy of Siemens Gamesa Renewable Energy, S.A.” approved by the Board of Directors at its meeting of 12 September 2018.
- As to the diversity of gender in the composition of the Board of Directors, the goal established in the Director Selection Policy of having a presence of at least 30% women by 2020 has already been exceeded since April 2017, as Siemens Gamesa has, by the end of 2018 fiscal year, 6 women on its Board of Directors, who represent 46% of its members.
- The Company is committed to continuing to improve upon the application of the good governance standards, principles and rules regarding the selection of directors and will prompt such selection processes to take into account the principle of diversity and to ensure that the Board members have international, specialised and sound international professional experience in the business areas of Siemens Gamesa.

F.- CONCLUSION

It is found that the Appointments and Remuneration Committee has satisfactorily performed the duties assigned thereto by the By-Laws and by its own Regulations throughout the financial year 2018, which ended on 30 September 2018.

In sum, this Report of the Appointments and Remuneration Committee is a contribution to the Company's Corporate Governance strategy, participating in the mission of creating value for the shareholders and promoting the corporate interest.

Furthermore, for financial year 2019, this Committee plans to continue reviewing and monitoring the status of all those matters within its purview. Along these lines, the Committee has established an Activities Plan for 2019 describing and scheduling the activities to be performed by the Committee during the financial year, planning its actions in its various areas of activity.

This Report was prepared by the Appointments and Remuneration Committee on 13 November 2018 and approved by the Board of Directors of Siemens Gamesa Renewable Energy, S.A. on 23 November 2018.