



AUDIT AND COMPLIANCE COMMITTEE
OF GRUPO GAMESA

ANNUAL ACTIVITY REPORT

2016

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A.- INTRODUCTION

The Audit and Compliance Committee (hereinafter also referred to interchangeably as the "committee") of Gamesa Corporación Tecnológica, S.A. (hereinafter indistinctly referred to either as the "Company" or as "Gamesa") has drawn up this Annual Activity Report for 2016 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.

Over the last few years, 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 and Compliance 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 2016, this being its thirteenth edition.

The committee's activities in 2016 have been particularly intense, involving a significant increase in the number of meetings and appearances by both the Company's different departments and external consultants. The committee held a total of sixteen (16) work meetings over the course of 2016. This increase on the twelve (12) meetings held last year has mainly been due to the work done by the committee on the potential merger of Siemens' wind energy business with Gamesa, a context in which Areva announced it would exercise its sale option on 50% of 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.

It should be noted that one of the most important activities of the year consisted of issuing its report on Gamesa's merger with Siemens pursuant to Article 12(j) of the Audit and Compliance Committee Regulations and Recommendation 44 of the Code of Good Governance.

We also wish to highlight that an independent expert was commissioned to conduct an assessment of the activities carried out by this committee in 2016. Said expert's conclusion



stated that it was properly organized and run, taking into consideration the criteria laid down by the law, Gamesa's Articles of Association, the Board of Directors Regulations and the committee's own Regulations.

Furthermore, this committee's involvement throughout 2016 in assessing the proposals put forward by management concerning transactions with a shareholder holding a significant interest and the subsequent assessment brought before the Board of Directors should also be underlined.



B.- HOW THE COMMITTEE WORKS

The Audit and Compliance Committee is a standing internal body of the Board of Directors and has an 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 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 to be dealt 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 to ensure the Audit and Compliance 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 meeting of the Audit and Compliance Committee 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 Audit and Compliance 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 Audit and Compliance Committee. It also oversees the work performed by the Internal Auditing Area, the Business Risk Control 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 Auditing Area and the Business Risk Control Department. The Internal Auditing Manager regularly attends committee meetings 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 2016

The Audit and Compliance 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.

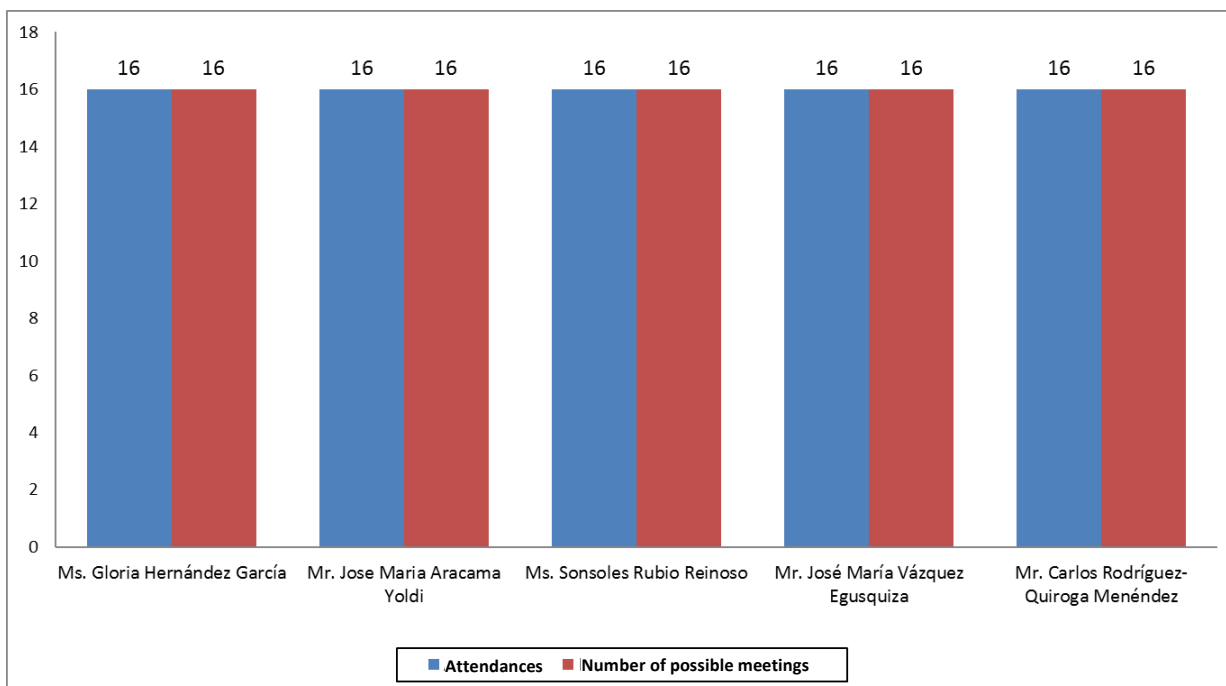
The composition, status and offices of the Audit and Compliance Committee as at December 31, 2016 are set out below:

Chair:	Ms. Gloria Hernández García	Non-Executive Independent Director
Members:	Mr. José María Aracama Yoldi	Non-Executive Independent Director
	Ms. Sonsoles Rubio Reinoso	Non-Executive Proprietary Director
	Mr. José María Vázquez Egusquiza	Non-Executive Independent Director
Secretary:	Mr. Carlos Rodríguez-Quiroga Menéndez (non-member)	

The committee's composition did not change in 2016.

All the members of the committee are deemed as Non-Executive Directors on the basis of their experience, training and professionalism, and those classified as "Independent" meet the requirements of independence set forth in the internal regulations.

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



The last point on the agenda for the meeting held on November 4, 2016 could not be resolved due to a lack of time. It was therefore agreed to resume the meeting once again on November 10.

The *curriculum vitae* of the committee's members can be found at the Gamesa Corporación Tecnológica, S.A. website (www.gamesacorp.com).

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 Gamesa website.



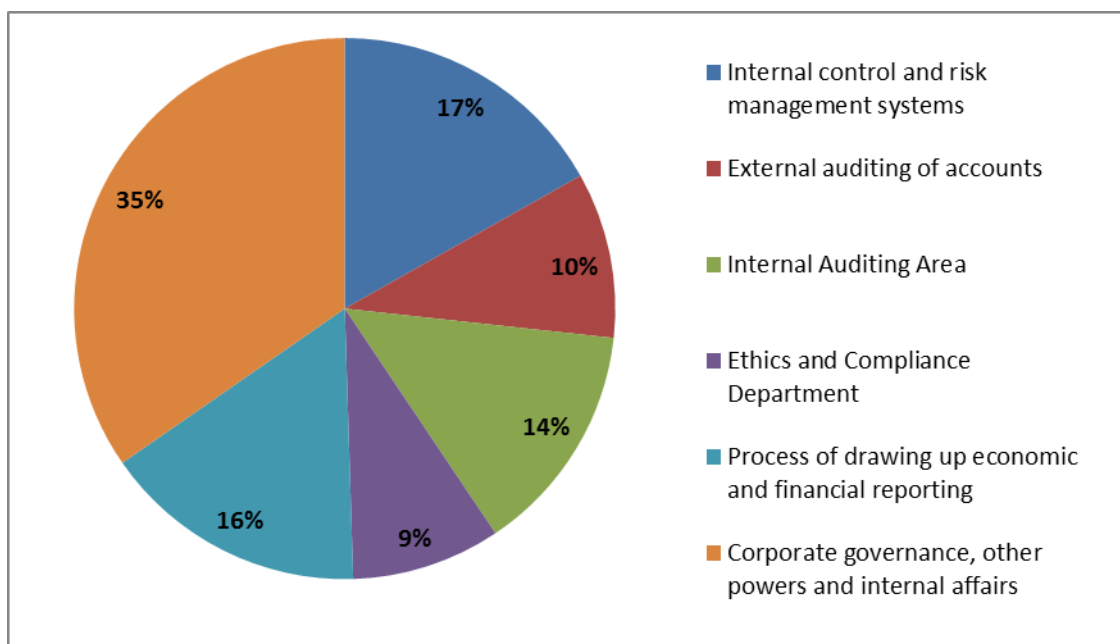
D.- ACTIVITIES DURING 2016

The different indicators set out below sum up the committee's activities in 2016.

<i>Indicators</i>	<i>Number</i>
<i>Meetings</i>	16
<i>Reports/Notices brought before the Board of Directors</i>	18
<i>Appearances:</i>	
- Internal	61
- External	8

1.- Time Dedicated to Each Duty

The main issues falling within the main areas of its oversight responsibilities dealt with and analyzed by the committee in 2016 can be grouped together under the following areas in keeping with its duties.





The meetings held by the committee on the work done as a result of the potential merger of Siemens' wind energy business with Gamesa are included under the "Corporate governance, other powers and internal affairs" item. The meetings whose agendas had a single point on the aforementioned merger were held on June 8, 10 and 13, 2016. In accordance with the duties assigned to it, the committee requested the appearance of independent professional experts at said meetings, who set out the problems and work performed on the following aspects:

- Judicial and legal matters
- Financial matters (swap equation and transaction with Areva)
- Strategic, human resources and tax-related matters
- Accounting matters

At the end of these meetings, the committee issued the relevant report according to Article 12(j) of the Audit and Compliance Committee Regulations and Recommendation 44 of the Code of Good Governance.

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 2016.

The number of attendances at committee meetings is shown below:



Department	Number of Appearances
<i>Internal Appearances:</i>	
Chairman and Chief Executive Officer	2
General Financial Department	13
General Business Development Department	1
General Counsel's Office and General Corporate Department	12
Tax Area Manager	2
Financial Projects Department	1
Internal Auditing Department (*)	6
Legal Department	2
General Services Unit Department	1
Services Management Control Department	2
Sales Department	4
Ethics and Compliance Department (*)	6
Business Risk Control Department	3
Management Control Department	1
Social Responsibility Department	2
Consolidation Department	3
Subtotal	61
<i>External appearances:</i>	
Auditor of accounts (*)	5
Consultants	3
Subtotal	8
Total appearances	69
<p><i>(*) 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.</i></p>	

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, in 2016 the Audit and Compliance Committee primarily focused on the following duties entrusted to it by the law and the corporate governance system:

3.1- External Auditing of Accounts

- Report on the auditor of accounts' independence.
- Prior authorizations for the provision of services other than the auditing of accounts.
- Appearances of the auditor of accounts at committee meetings to conduct the appropriate monitoring of the auditing 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 auditing work.
- Reviewing the contents of audit reports/limited reviews before they are issued.
- Analysis of accounting impacts on the merger with Siemens

3.2- Process of Drawing Up Economic and Financial Reporting

- Separate and consolidated annual accounts for financial year 2015.
- Separate/consolidated quarterly and half-yearly financial statements and other reporting disclosed to the market and supervisory authorities during the year.
- 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- Internal Control and Risk Management Systems

- 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 risk, including: operational, technological, financial, legal, tax, reputation-related, etc. risks. 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.

3.4- Internal Auditing Area

- Approval of the budget and the Internal Auditing Area's activities.
- Monitoring of the area's activities.

3.5- Ethics and Compliance Department

- Approval and monitoring the Ethics and Compliance Department's budget and activities.
- Monitoring of the corporate risk prevention model's strengthening: Crime Prevention and Anti-Fraud Policy and the Crime Prevention Manual (general and special parts).
- Receiving information about fulfillment of the Internal Conduct Regulation and the Code of Conduct.
- Supervision of the whistle blowing channel.



3.6- 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 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.
- Corporate Social Responsibility Master Plan 2015-2017 and Annual Report.
- Approval of its Annual Action Plan, or "Time Chart".
- Drawing up a report about its activities in 2016 concerning operations or transactions which may have involved conflicts of interest with shareholders holding a significant interest.
- Compliance report in accordance with Article 12(j) of its Regulations for the purpose of fulfilling recommendation 44 of the Code of Good Governance for Listed Corporations within the context of the merger of Siemen's wind energy business into the Company.

4.- The Audit and Compliance 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 Gamesa Corporación Tecnológica, S.A. are set out below.

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



The Audit and Compliance Committee's reports and proposals (*):	Number
<i>Taxation</i>	1
<i>Report on Gamesa's merger with Siemens Wind Holco</i>	1
<i>Economic and financial reporting</i>	4
<i>Auditing of accounts</i>	3
<i>Transaction with a shareholder holding a significant interest</i>	4
<i>Corporate governance and others</i>	5
Total	18

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



E.- EVALUATION OF THE COMMITTEE

An evaluation on the way this committee was run and the activities it performed in 2016 was commissioned from an independent expert. Said expert's conclusion stated that *"it was properly organized and run, taking into consideration the criteria laid down by the law, Gamesa's Articles of Association, the Board of Directors Regulations and the committee's own Regulations. More specifically:*

- a) The Audit and Compliance Committee's composition, organization and the way it is run are appropriate.*
- b) The appropriate actions have been carried out."*

The committee has achieved some highly positive results by properly performing its duties and reaching the right balance in the performance of its powers and the fulfillment of its duties.



F.- LINES OF ACTION FORESEEN FOR 2017

At present and in light of the upcoming completion of the merger of Gamesa and Siemens Wind Power, it is difficult to define this Committee's lines of action envisaged for 2017 in so far as the organizational structure, responsibilities and all the other aspects involved in the new merged company's incorporation have not yet been defined.

Irrespective of the foregoing, the main lines of action foreseen for the upcoming year will have an impact on:

- Fostering the oversight of internal auditing work on the corporate risk prevention model's updating and the internal financial reporting control system's automation.
- Fostering the monitoring of the corporate social responsibility strategy and practices.
- Adapting, coordinating and monitoring the audit committees of Gamesa's subsidiaries.



G.- CONCLUSION

All the aforementioned activities of the Audit and Compliance 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 2016, the Audit and Compliance 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 Gamesa Corporación Tecnológica 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 Auditing Area, 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.