

related-party transactions for the protection of minority shareholders considering the risk of de facto management by the majority shareholder.

Proposed resolution: *"To instruct the Board of Directors to strengthen the corporate governance of the Company to ensure that the corporate interest prevails in the approval of related-party transactions, so as to protect minority shareholders from the risk of de facto management by the majority shareholder.*

In particular, the Board of Directors shall:

- 1. Strengthen and guarantee the duty of proprietary Directors to abstain in the deliberation and voting on resolutions relating to transactions, actions or agreements with the shareholder that proposed or appointed them and such shareholder's group.*
- 2. Ensure compliance with the necessary reporting deadlines and requirements in order for any internal proceeding or action designed to approve related-party transactions by decision-making bodies or business units to be previously submitted to the Audit Committee with sufficient time to enable it to submit its report prior to deliberation and approval, if appropriate, by the Board of Directors.*
- 3. Require submission of an independent expert report that expressly confirms that any significant transaction, action or agreement between the Company and the majority shareholder or their groups is fair and reasonable from the standpoint of the corporate interest and of the interests of minority shareholders.*

Significant transactions, actions and agreements shall be deemed to be those that (a) taken individually, exceed an amount equal to 1% of the consolidated turnover of the Company and its subsidiaries in the last financial year; (b) exceed the same amount in the aggregate, calculated in a twelve (12) month period or within the same financial year; or (c) constitute financial assistance to the shareholder or its group, including cash pooling, financing and intra-group counter-guarantees.

- 4. Annually report to the shareholders at the General Shareholders' Meeting on the measures adopted to avoid the risk of de facto management of the Company by its majority shareholder.*

Such measures must in any event include appropriate amendments to the Regulations of the Board and the Committees thereof and any internal procedures that are inconsistent with the foregoing as well as any appropriate proposals to amend the By-Laws and the Regulations for the General

Shareholders Meeting.

The Board of Directors shall comply with the aforementioned provisions within not more than 6 months of the date of this resolution, without prejudice to such duty continuing to exist following such period.

This instruction is given pursuant to section 161 of the Companies Act."

1.2. Commitments made in connection with the maintenance in Spain of the registered office, the principal place of business and the operational headquarters as parent company of the group, as well as the principal place of business and operational headquarters of the onshore business: measures to ensure compliance therewith.

Proposed resolution: *"To instruct the Board of Directors to take the measures required to ensure that the registered office, the principal place of business and the operational headquarters of the company, as the parent company of the group, as well as the principal place of business and operational headquarters of the onshore business, continue to be in Spain, in accordance with the commitment assumed.*

In particular, the Board of Directors shall:

- 1. Adopt the necessary corporate governance provisions and measures to ensure that all the Directors are on an equal footing as regards information and decisions, and thus that the Board of Directors actually retains its ability to manage the Company, preventing displacement of decision-making outside of the registered office and outside Spain.*
- 2. Ensure that the management team and the heads of the main corporate functions, particularly corporate and business mergers and acquisitions and relations with Spanish regulators and supervisory authorities, are maintained at the headquarters of the Company and of the onshore business.*
- 3. Submit to the shareholders at the General Shareholders' Meeting for prior approval any resolution that is intended to, causes or might cause a failure to maintain the registered office, the principal place of business, the actual and operational headquarters as the parent company of the group or the actual and operational headquarters of the onshore business in Spain. This category shall in any event include resolutions that decide (a) to not maintain in Spain the material, technological and financial resources necessary for the management and conduct of the Company's*

business as parent company of the group and, in particular of the onshore business; (b) to not maintain or fail to hire in Spain the employees required for the management and conduct of the business of the Company as parent company of the group, and, in particular, of the onshore business, or (c) the existence of imbalances, to the detriment of Spain in favour of other territories, in any headcount increase or reduction process, employment guarantee agreement or process, or investment or divestment process.

4. *Annually report to the shareholders at the General Shareholders' Meeting on the measures taken to ensure that the principal place of business and the actual and operational headquarters as the parent company of the group, as well as the principal place of business and operating headquarters of the onshore business, continue to be in Spain.*

Such measures shall, in any event, include the required amendments of the Regulations of the Board of Directors and the Committees thereof, as well as of any internal procedure that is inconsistent with the foregoing, as well as any appropriate proposals to amend the By-Laws and the Regulations for the General Shareholders' Meeting.

The Board of Directors shall comply with the aforementioned provisions within a maximum of 6 months from the date of this resolution, without prejudice to the duty remaining in effect after such period.

This instruction is given pursuant to section 161 of the Companies Act."

2. OVERALL RATIONALE FOR THE PROPOSED RESOLUTIONS INCLUDED IN THIS SUPPLEMENT

Iberdrola, S.A. ("**Iberdrola**"), through its wholly-owned subsidiary Iberdrola Participaciones, S.A.U. ("**Iberdrola Participaciones**"), is the indirect owner of 8.071% of the voting rights of the Company, in which Siemens Aktiengesellschaft ("**Siemens**") is the majority shareholder as owner of 59% of the voting rights. The Company has a free float equal to 32.929% of the voting rights.

Siemens acquired its majority interest in the Company as a result of a merger between Gamesa Corporación Tecnológica, S.A. and Siemens Wind HoldCo, S.L. which was completed in April 2017 (the "**Merger**"). Despite having acquired 59% of the voting rights of the Company, Siemens was not required to make a takeover bid (*oferta pública de adquisición*) ("**OPA**") under the exemption granted by the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) ("**CNMV**") on 7 December 2017, pursuant to the provisions of section 8 g) of Royal Decree 1066/2007 of 27 July on takeover bids (the "**Royal Decree**").

The takeover bid exemption was granted *"on the basis of the maintenance of the structure described in the documentation sent to the National Securities Market Committee, specifically [...] [the] documentation evidencing the industrial purpose of the transaction."* This was because, as expressly provided in the Royal Decree, in order to take advantage of such exemption, the Merger must not have *"as its main purpose the taking of control, but rather an industrial or corporate purpose"*.

The structure showing that the purpose of the merger was industrial, and not to take control, is based primarily on (i) Iberdrola having *"strengthened minority shareholder rules"* as a result of the shareholders' agreement executed among Iberdrola, Iberdrola Participaciones and Siemens on 17 June 2016 (the **"Shareholders Agreement"**), which places Iberdrola as *"a kind of counterweight to the influence of Siemens [...]* [that] *may be in the interest of the other minority shareholders"* as stated in the takeover bid exemption request itself; and (ii) achievement of specific strategic objectives: (a) strengthening the Company's competitive position; (b) creating revenue and cost synergies; (c) a more favourable position to manage market risks; and (d) all of the foregoing based on maintaining the principal place of business and the actual and operational headquarters as the parent company of the group, and the actual and operational headquarters of the onshore business, in Spain.

It is therefore essential to ensure maintenance of the counterweights to the influence of Siemens, while complying with the strategic reasons that led to the Merger.

Iberdrola, in its capacity as strengthened minority shareholder of the Company, believes that certain policies and decisions that it believes were driven by Siemens in recent months jeopardise both objectives. Accordingly, to defend the corporate interest and the interest of the other minority shareholders, Iberdrola has decided to submit the two proposed resolutions included in this document.

Both proposed resolutions are submitted pursuant to section 161 of the Companies Act, which allows the shareholders at a General Shareholders' Meeting *"to give instructions to the decision-making body or submit to it for approval the adoption by such body of decisions or resolutions on certain management matters"*. Such shareholder has considered that the possibility of instructing the Board of Directors on given matters is the most appropriate legal tool for the shareholders at the General Shareholders' Meeting to take an interest in matters concerning the management of the Company.

It has also been deemed appropriate to give a clear but general mandate to the Board of Directors, while leaving to its discretion the specific details of the measures to be taken in compliance with the instructions received from the shareholders acting at the General Shareholders' Meeting. It will thus fall upon the Board of Directors to adopt such measures as it deems necessary to comply with the instructions received, which

will include, among other things, the possible amendment of the Regulations of the Board of Directors and of its various Committees, as well as any internal procedures that may be affected or, if appropriate, to propose to the shareholders at the General Shareholders' Meeting the amendment of the By-Laws or of the Regulations for the General Shareholders' Meeting.

There follows an individual rationale for the two proposed resolutions submitted in this document.

3. RATIONALE FOR THE PROPOSED RESOLUTION TO STRENGTHEN THE CORPORATE GOVERNANCE OF THE COMPANY AS REGARDS RELATED-PARTY TRANSACTIONS FOR THE PROTECTION OF MINORITY SHAREHOLDERS CONSIDERING THE RISK OF DE FACTO MANAGEMENT BY THE MAJORITY SHAREHOLDER.

Siemens, in addition to being the majority shareholder, has appointed a large number of the members of the Board of Directors. Its weight in the decisions affecting the Company is very considerable. In the opinion of Iberdrola, a very significant risk has arisen in recent months that the counterweights mentioned in the previous section will not function properly, such that certain decisions are not properly assessed from the standpoint of the corporate interest and of the interest of minority shareholders. This concern refers very specifically to the related-party transactions between Siemens and the Company, the volume of which is very significant.

Over and above that, the influence of Siemens could, in general, lead to a situation that is close to de facto management, which should be avoided. In this connection, it should be recalled that a de facto manager is "*the person [...] under whose instructions the directors of the company act*" (section 236.3 *in fine* of the Company Act). In particular, a majority shareholder not offset by sufficiently robust corporate governance could be termed a *de facto* administrator in the form of a hidden administrator if, in one way or another, such administrator generally and systematically determines the actions of the Board, or of a controlling number of its members.

Bearing all of the foregoing in mind, measures are proposed that are designed to implement a stringent mechanism for the approval of related-party transactions at the Company, the main purpose of which is to boost the level of transparency and to protect the Company and minority shareholders. Such mechanism must ensure that the related-party transactions carried out by the Company, especially with the majority shareholder, (i) are carried out transparently; (ii) are fair and reasonable taking into account the corporate interest and the interests of the minority

shareholders (which entails the need to request the appropriate independent expert reports); and (iii) are made in accordance with a legitimate procedure that does not leave the making of the decision (directly or indirectly) subject to excessive influence from the majority shareholder.

In addition, it is also proposed to report to the shareholders at the General Shareholders' Meeting on an annual basis on the measures adopted to avoid the risk of *de facto* management within the Company, so as to enable the shareholders to duly protect the corporate interest.

4. RATIONALE FOR THE PROPOSED RESOLUTION TO TAKE THE NECESSARY MEASURES TO ENSURE COMPLIANCE WITH THE COMMITMENTS MADE IN CONNECTION WITH THE MAINTENANCE OF THE REGISTERED OFFICE, THE PRINCIPAL PLACE OF BUSINESS AND THE OPERATIONAL HEADQUARTERS AS PARENT COMPANY OF THE GROUP, AS WELL AS THE PRINCIPAL PLACE OF BUSINESS AND OPERATIONAL HEADQUARTERS OF THE ONSHORE BUSINESS, IN SPAIN

The Company has its registered office in Spain, from where it manages its activities as the parent company of its group, particularly its onshore business.

One of the strategic objectives of the Merger is precisely to maintain the registered office, the principal place of business and the operational headquarters of the Company as parent company of the Group, as well as the principal place of business and the operational headquarters of the onshore business in Spain. This was reflected in the Shareholders Agreement, the Merger Agreement and in the Common Draft Plan of Merger, among other documents. The objective was also reflected in the case file for the exemption from the obligation of making a Takeover Bid, within the framework of section 8 g) of the Royal Decree.

This express commitment to maintain its registered office and headquarters can be viewed from a two-fold perspective. On the one hand, it is a necessary or essential element of the corporate interest that was expressly stated in the documents mentioned in the preceding paragraph, and thus adopted and ratified by the shareholders at the Shareholders' Meeting when approving the Merger. On the other, it is one of the elements that gives the Merger an industrial meaning and which thus warrants the takeover bid exemption.

In the opinion of Iberdrola, the Company's growing integration into the Siemens group makes it necessary to ensure that the commitments made are honoured. It should thus be noted that the Board of Directors continues to be the effective manager of the Company and helps prevent Siemens' influence from resulting in a displacement of decision-making.

Effective management depends not only on factors such as the place where Board meetings are held; it is also necessary to ensure that the management team and the heads of the main corporate functions, such as corporate and business mergers and acquisitions, and relations with Spanish regulators and supervisory authorities, are also located in Spain.

In addition, it is also appropriate to submit to the shareholders specific decisions that could jeopardise the current maintenance of the registered office and headquarters. Such decisions include not only those entailing an outlay of funds, but also decisions that create or reflect imbalances between territories, as recently complained of in connection with employment guarantee agreements.

It is further proposed to annually report to the shareholders at the General Shareholders' Meeting on the measures taken to ensure that the registered office and headquarters are maintained in Spain so as to allow the shareholders at the General Shareholders' Meeting to properly protect the corporate interest, as described above, as well as the honouring of the commitments assumed.