

# MANAGEMENT REPORT

## SGRE MANAGEMENT REPORT

As described in Note 1.D of the Notes to the Consolidated Financial Statements and Note 1.3 to the Stand Alone Financial Statements as of September 30, 2017, the merger of Siemens Wind Power Business with GAMESA qualifies for accounting purposes as a reverse acquisition, by which Siemens Wind Power Business will be considered as accounting acquirer and GAMESA as accounting acquiree. As a result of that, the Consolidated Income Statement of the Group until the merger effective date (April 3, 2017) reflects the transactions of the Siemens Wind Power Business only. After the merger effective date the Consolidated Income Statement includes the transactions of GAMESA also, being the half-year from April to September 2017 the first half-year of operation of the Group after the business combination.

The following chapter on 'Company's evolution during the year' refers to the performance of the Group as a combined business and therefore focuses mainly on the results after the business combination, that is, the period from April to September 2017. The breakdown of the Consolidated Income Statement of the Group for the year 2017 into quarters is as follows:

<i>Millions of euros</i>	<b>(a)</b> Jan-Mar	<b>(b)</b> Apr-Jun	<b>(c)</b> Jul-Sep	<b>(d)=(b)+(c)</b> Apr-Sep	<b>(a) + (d)</b> FY 2017
Revenue	1,516	2,693	2,329	5,022	6,538
Cost of sales	(1,257)	(2,386)	(2,314)	(4,700)	(5,957)
<b>Gross profit</b>	<b>259</b>	<b>307</b>	<b>15</b>	<b>322</b>	<b>581</b>
Research and development expenses	(51)	(51)	(39)	(90)	(141)
Selling and general administrative expenses	(66)	(192)	(156)	(348)	(414)
Other operating income	4	(2)	2	-	4
Other operating expenses	-	(12)	(18)	(30)	(30)
Income (loss) from investments accounted for using the equity method, net	-	-	-	-	-
Interest income	(1)	7	3	10	9
Interest expenses	-	(15)	(16)	(31)	(31)
Other financial income (expenses), net	-	(3)	2	(1)	(1)
<b>Income from continuing operations before income taxes</b>	<b>145</b>	<b>39</b>	<b>(207)</b>	<b>(168)</b>	<b>(23)</b>
Income tax expenses	(26)	(27)	63	36	10
<b>Income from continuing operations</b>	<b>119</b>	<b>12</b>	<b>(144)</b>	<b>(132)</b>	<b>(13)</b>
Income from discontinued operations, net of income taxes	-	-	-	-	-
<b>Net income</b>	<b>119</b>	<b>12</b>	<b>(144)</b>	<b>(132)</b>	<b>(13)</b>
<b>Attributable to:</b>					
Non-controlling interests	-	-	2	2	2
<b>Shareholders of Siemens Gamesa Renewable Energy, S.A.</b>	<b>119</b>	<b>12</b>	<b>(146)</b>	<b>(135)</b>	<b>(15)</b>
<b>Underlying net profit</b>	<b>120</b>	<b>135<sup>1</sup></b>	<b>(17)<sup>2</sup></b>	<b>118</b>	<b>238</b>
<b>Underlying EBIT Pre-PPA</b>	<b>146</b>	<b>211<sup>1</sup></b>	<b>(18)<sup>2</sup></b>	<b>192</b>	<b>339</b>

1 Underlying EBIT pre-PPA and underlying net profit pre-PPA exclude the impact of EUR 36 million in integration costs and the impact of the Purchase Price Allocation (PPA) amounting to EUR 124 million in EBIT and EUR 87 million in Net Income in the period April-June 2017.

2 Underlying EBIT pre-PPA and underlying net profit pre-PPA exclude the impact of integration costs amounting to EUR 67 million in EBIT and EUR 51 million in Net Income and the impact of the Purchase Price Allocation (PPA) amounting to EUR 111 million in EBIT and EUR 78 million in Net Income in the period July-September 2017.

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The comparable figures for previous periods (e.g. half year) have been calculated on a proforma basis, as if the merger transaction had already occurred before the period used for comparison purposes, including full consolidation of Adwen, standalone savings and normalization adjustments.

## 1. COMPANY'S EVOLUTION DURING THE YEAR

### SIEMENS GAMESA'S FIRST FINANCIAL RESULTS REFLECT THE INCREASE IN VOLATILITY IN SOME OF THE GROUP'S MAIN ONSHORE MARKETS

Siemens Gamesa Renewable Energy<sup>3</sup> commenced combined operations on 3 April when the company was registered in the mercantile registry of Bilbao. In its first half-year, the company focused on integrating the separate businesses of Siemens Wind Power and Gamesa in order to bring forward the attainment of the synergies to which the company is committed; the announced amount of such synergies (EUR 230 million annually) was confirmed as the minimum target.

The group's financial results in the second half of 2017 (the first six-month period in which the merged company was operational) reflect the impact of higher volatility in some of the company's main markets, such as India and the US. That volatility is the result of the transition towards fully competitive wind energy models, which has resulted in a decline in onshore sales volume and also in an inventory impairment, with no cash impact, as a result of price pressure in those markets. Consequently, sales in the six-month period declined by 12% with respect to the pro-forma<sup>4</sup> sales figure for the same period of the previous year, and the underlying EBIT margin, excluding the impact of the PPA, stood at 3.8%<sup>5</sup>, and at 6.5% excluding the inventory impairment. Excluding the impact of the hiatus in the Indian market, which was main cause of the decline in sales volumes, group sales fell by 2.4% year-on-year, mainly due to the currency effect, and the underlying EBIT margin pre-PPA and before the inventory impairment was 7.3%. The company ended the period with a net cash position of EUR 377 million, after paying out a EUR 3.6 per share special dividend in April as part of the merger agreement, and a EUR 0.11 per share ordinary dividend out of 2016 earnings.

After experiencing a sharp decrease in the third quarter, commercial activity surged in the fourth quarter, in line with the company's expectations, to attain 3.3 GW in orders, 40% more than in the same period of 2016<sup>6</sup>. Onshore order intake amounted to 2.2 GW, the largest quarterly intake since Q1 2015.

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3 Siemens Gamesa Renewable Energy (Siemens Gamesa) is the result of merging Siemens Wind Power, which is the wind power division of Siemens AG, with Gamesa Corporación Tecnológica (Gamesa). The group engages in wind turbine development, manufacture and sale (Wind Turbine division) and provides operation and maintenance services (Services division).

4 Historical pro-forma sales are calculated as the sum of the sales reported by Siemens AG for its Wind Power division and those reported by Gamesa in the six months from April to September 2016, plus 100% of Adwen's revenues.

5 Underlying EBIT pre-PPA and underlying net profit pre-PPA exclude the impact of EUR 103 million in integration and restructuring costs and the impact of amortization on intangibles' fair value from the Purchase Price Allocation (PPA) amounting to EUR 235 million at EBIT level. Overall impact of EUR 252 million at net profit level (combining PPA and integration and restructuring costs, net of taxes) in the period April-September 2017. The inventory impairment had an impact amounting to EUR 134 million in EBIT and EUR 88 million in net profit. For comparison purposes, the pro-forma underlying EBIT in the same period of the previous year is calculated as the sum of Gamesa's underlying EBIT, the EBIT of Siemens AG's Wind Power division, including normalisation, consolidation scope and standalone adjustments, and the EBIT of Adwen (fully consolidated).

6 The order volume used for comparison is the sum of the two companies' order intake in the same period of the previous year.

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## Main consolidated figures for April-September 2017:

- **Revenues:** EUR 5,022 million (-12% y/y)
- **Underlying EBIT pre-PPA<sup>5</sup>:** EUR 192 million (-63% y/y)
- **Underlying EBIT pre-PPA excl. inventory impairment:** EUR 326 million (-38% y/y)
- **Underlying net profit pre-PPA<sup>5</sup>:** EUR 118 million
- **Underlying net profit pre-PPA excl. inventory impairment<sup>5</sup>:** EUR 206 million
- **Net financial debt (NFD)<sup>7</sup>:** EUR -377 million
- **MWe sold:** 3,599 MWe (-26% y/y)
- **Firm order intake:** 3,724 MW

**In its first six months of operation, Siemens Gamesa focused on rapidly integrating Siemens Wind Power and Gamesa in order to bring forward the attainment of the announced synergies of EUR 230 million, which is now considered as the minimum amount.** Achieving those synergies is crucial for strengthening the group's competitive position in a changing and increasingly demanding market context.

**The integration process confirms the soundness of the strategic rationale behind the merger in this changing environment, where scale and global reach are absolutely essential in order to compete profitably.** Siemens Gamesa offers a unique business proposition since it combines:

- An onshore platform positioned to gain market share based on an optimised, comprehensive product pipeline and a global commercial, manufacturing and supply presence. This platform will also be the main beneficiary of the merger synergies, which will enable it to compete more efficiently in the coming years.
- An offshore platform with a broader experience compared with the nearest competitor, having installed almost 70% of the world's offshore fleet and logged over 500 million hours of operation.
- A leading service platform with global reach.
- Access to Siemens AG, including Siemens Financial Services.

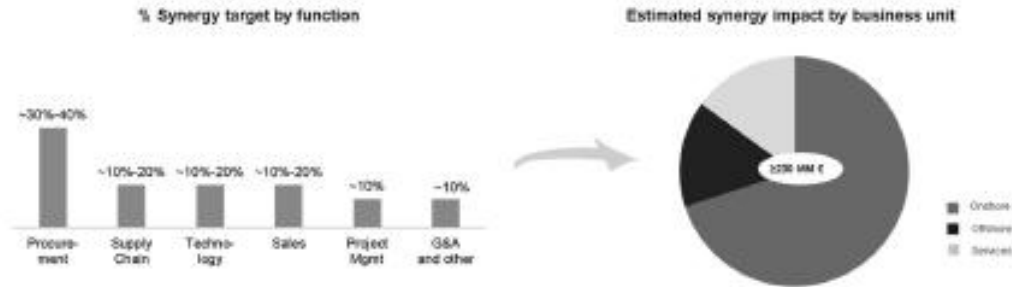
Within the first 6 months and as a result of the integration work, the new organisation was defined and decisions were made regarding product portfolio and manufacturing footprint. Those decisions include notably the **integration of Adwen into the group's offshore division, making it possible to reduce the division's operation losses, better attend to customer needs, and maximise market opportunities.** Work also continued in the optimization of the manufacturing footprint, a process that the two companies had been undertaking separately and which makes more sense following the merger. As part of this process, the closure of the Tillsonburg blade plant in Canada was announced in July, it was decided to reduce capacity at Aalborg (Denmark), and the Tangier (Morocco) plant was opened. **The speed with which the integration process is proceeding should make it possible to reap the announced synergies almost one year ahead of schedule. During the month of November a more complete restructuring process will have been launched.**

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<sup>7</sup> Net financial debt is defined as long-term plus short-term financial debt less cash and cash equivalents.

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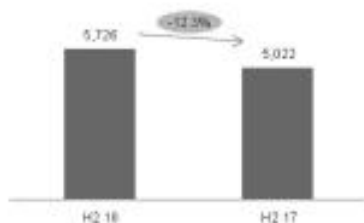
Detailed analysis of synergies has identified the main sources and beneficiaries in detail: procurements, accounting for EUR 4,000 million in expenditure, is the main source, while onshore is the main beneficiary, as shown in the charts below. As a result of that analysis, the committed amount of synergies is now seen as the minimum amount that can be attained.



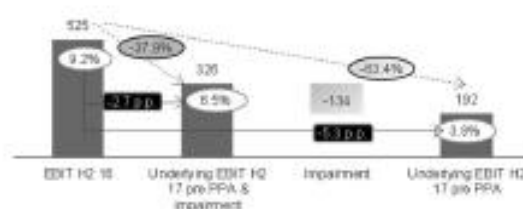
Coordination of the integration work by the Integration Office has enabled the company to maintain its normal business performance, a performance that has been clearly impacted by very specific market conditions arising from the transition to fully competitive renewable energy models. Included in this situation, the temporary halt in the Indian market, the Group's second-largest onshore market, stands out notably after the introduction of wind auctions in February 2017, and the reduction in onshore installations in the UK, the Group's third-largest onshore market, after wind was excluded from the contract for differences mechanism in 2016. These changes resulted in a 26% reduction in sales volume (MWe) in the second half of 2017 compared with the same period of last year. In addition to the temporary impact on volumes, this transition is also pressuring prices, as a result of which the company booked a EUR 134 million inventory impairment.

**The decline in sales volumes resulted in a 12% reduction in sales revenues in the second half with respect to the pro-forma revenues in the same period last year, to EUR 5,022 million, with an underlying EBIT margin of 6.5% pre-PPA and before the inventory impairment, 2.7 percentage points lower than the underlying pro-forma EBIT margin in the same period last year. Including the inventory impairment, the EBIT margin has been 3.8% in the period. Excluding the impact of operations in India in both years and the inventory impairment, sales would have declined by 2.4% and the underlying EBIT margin pre-PPA would have been 7.3%.<sup>8</sup>**

Revenues (€mn): H2 2016 vs. H2 2017



Underlying EBIT (€mn) pre PPA<sup>2</sup>: H2 2016 vs. H2 2017



<sup>8</sup> India contributed EUR 626 million in revenues and EUR 80 million in EBIT in H2 2016 (April-September), and EUR 44 million in revenues and EUR -37 million in EBIT in H2 2017 (April-September).

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**Group underlying net profit pre-PPA amounted to EUR 118 million in the half-year, equivalent to EUR 0.2 per share.** Excluding the impact of the inventory impairment, underlying net profit pre-PPA would have been EUR 206 million, equivalent to EUR 0.3 per share. Reported net income amounted to EUR -135 million. Reported profit includes the EUR 88 million impact of the inventory impairment and EUR 252 million in connection with integration and restructuring expenses and amortization of intangibles' fair value coming from the PPA (net of taxes).

**The net cash position on the balance sheet was EUR 377 million,** due mainly to the seasonal upswing in working capital.

## MARKETS AND ORDERS

Following the slowdown in commercial activity in the quarter from April to June 2017, in which new orders were signed for 805 MW, order intake rebounded strongly in the fourth quarter (July-September), as the company expected. Those expectations were underpinned by the company's stronger competitive position but also by the factors that had produced the weakness in the third quarter, none of which were structural: the expected conversion of the Safe Harbor contracts in the US in the second half of the calendar year, the slippage in orders in EMEA, APAC and the Americas from the first and second quarters of the calendar year, and the volatility that is typical of the offshore division. **Consequently, orders in the fourth quarter totalled 2,919 MW, 40% more than the two companies' order intake in the same quarter of the previous year.**

As for **onshore, order intake amounted to 2,167 MW in the fourth quarter,** 5% more than the intake logged by the two companies in the fourth quarter of 2016 and the **largest quarterly order intake since the first quarter of FY 2015 (October-December 2014).**

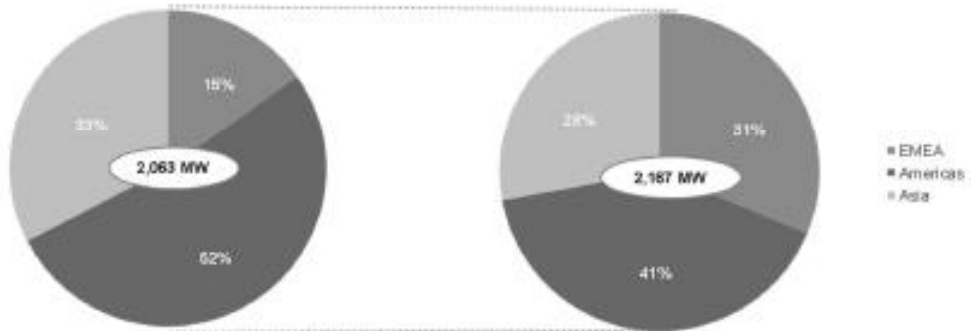
**As for offshore, in the fourth quarter of FY 2016, the contract was signed for Borssele 1 and 2, totalling 752 MW,** which had been announced at the earnings presentation for April-June 2017.



As for onshore, EMEA was the region that contributed the most to order intake growth, tripling its contribution with respect to the same period of 2016, with Norway in the lead (378 MW signed in the quarter). Along with Norway, the markets that contributed the most to order intake in July-September 2017 were the US and China. In connection with order intake in the period, it is important to note that Siemens Financial Services is an investing partner in one of the contracts signed in Norway (281 MW), highlighting the importance of the relationship with the Siemens AG group for generating joint value propositions for our customers.

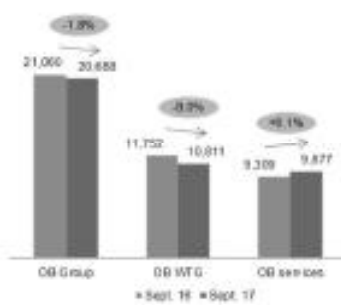
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Onshore OI evolution (MW): Q4 2016 vs Q4 2017

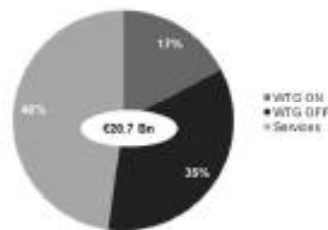


As a result of the recovery by commercial activity in the fourth quarter, the Group order book was slightly higher than in June, containing the year-on-year decline at 2%, contrasting with the 7% decline with respect to the combined order book in June 2016. The services backlog increased by 6% y/y while the WTG backlog shrank by 8%, resulting in a total backlog of EUR 20,688 million.

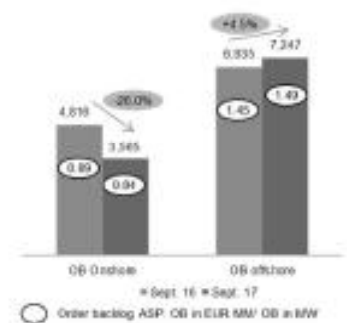
Order Book (€mn) Sept. 16 & Sept. 17



Order Book @ September 2017



WTG Order Book (€mn) Sept. 16 & Sept. 17



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## FINANCIAL PERFORMANCE

The table below shows the main financial aggregates for the six-month period from April to September 2016 and 2017. The figures for 2016 are unaudited pro-forma numbers representing the sum of the numbers reported individually by Gamesa and Siemens Wind Power, plus Adwen (fully consolidated). The comparable EBIT numbers for 2016 include standalone, consolidation scope and normalisation adjustments for Siemens Wind Power.

P&L €m n	April-Sept. 16 P <sup>2</sup>	April-Sept. 17	Var. y/y %	July-Sept. 17	Var. y/y %
Group sales	5.726	5.022	-12,3%	2.329	-17,6%
WTG	5.156	4.401	-14,6%	2.008	-20,8%
O&M	570	621	9,0%	321	9,9%
Gross profit (Pre PPA)	828	410	-50,5%	53	-87,0%
Gross profit margin (Pre PPA)	14,5%	8,2%	-6,3	2,3%	-12,2
<b>Reported EBIT</b>	<b>525</b>	<b>-146</b>	<b>-127,9%</b>	<b>-197</b>	<b>-175,9%</b>
Underlying EBIT <sup>3</sup> (Pre-PPA)	525	192	-63,4%	-19	-107,2%
Underlying EBIT margin (pre-PPA)	9,2%	3,8%	-5,3	-0,8%	-10,0
Underlying WTG EBIT margin (pre-PPA)	8,1%	1,9%	-6,2	-3,9%	-12,0
Underlying Service margin (Pre-PPA)	19,1%	17,4%	-1,6	18,7%	0,07
<b>Reported Net Income</b>		<b>-135</b>	<b>NA</b>	<b>-147</b>	<b>NA</b>
Underlying Net Income pre-PPA <sup>3</sup>		118	NA	-17	NA
Underlying Net Income per share pre-PPA <sup>4</sup>		0,17	NA	-0,03	NA
<b>Balance sheet<sup>5</sup></b>	<b>April-Sept. 16 P<sup>2</sup></b>	<b>April-Sept. 17</b>	<b>Var. y/y %</b>	<b>July-Sept. 17</b>	<b>Var. y/y %</b>
Working capital	621	-300	-921	-300	-921
Working capital o/s sales LTM proforma	5,9%	-2,7%	-8,7	-2,7%	-8,7
Capex	315	297	-5,9%	107	-43,5%
Net financial debt/(cash)		-377	NA	-377	NA

- All financial information and KPIs are non-audited. All historic information is pro-forma.
- April-Sept. 16 financial data corresponds to non-audited pro-forma data, based on legacy businesses' reported information (Siemens Wind Power, Gamesa and 100% of Adwen) including standalone, normalization and scope adjustments for SWP operations, amounting to 58 MM € in the April-Sept 2016 period. Adwen is fully consolidated in the historic pro-forma data with an impact of €132 mn at revenue level and of -€16 mn at EBIT level.
- Underlying data excludes integration and restructuring costs for €103 mn and the impact on amortization on intangibles' fair value from the PPA in amount of €235 mn at EBIT level. The total impact at net income level (net of taxes) amounts to €252 mn.
- Number of shares for EPS calculation: in H2 2017: 676,417,806 and in Q4 2017: 679,471,221
- See definition of working capital, net financial debt and EBIT in the glossary of terms that can be found in the H2 2017 earnings release together with the reconciliation of both items to the H2 2017 consolidated financial statements
- LTM pro forma, non-audited, is calculated adding revenues and EBIT reported by Siemens AG for Siemens Wind Power, those reported by Gamesa and 100% of those reported by Adwen. Pro forma profitability includes standalone, normalization and scope adjustments for Siemens Wind Power.

The group's financial performance in the first six-month period in which Siemens Gamesa operated as a unit reflects specific market conditions, which affected volumes and prices, resulting in a reduction in the group's sales and margins. A significant part of the reduction in volume was due to the temporary suspension of the Indian market and the reduction in installations in the UK. During the period April-September 2016 India contributed 819 MWe to the sales volume, and UK 449 MWe, representing a 33% on the period's sales volume. Group margins were affected not only by the decline in volumes but also by the fact that Adwen's losses increased year-on-year as well as by the inventory impairment.

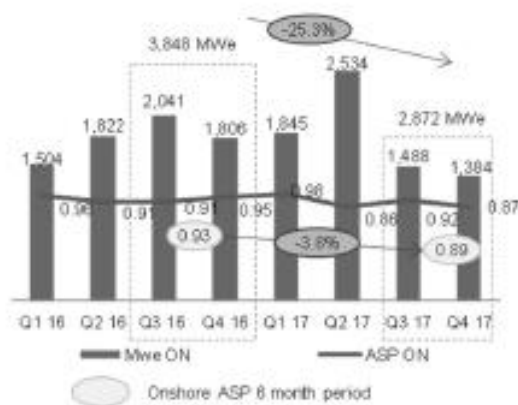
**Sales fell by around 12% year-on-year** as a result of the reduction in the sale of onshore wind turbines, in India primarily but also, to a lesser extent, in the UK. Adjusting for the impact of the halt in the Indian market, sales fell by 2.4% due to strong offshore sales, which registered double-digit growth, and a 9% year-on-year increase in service revenues.

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**WTG revenues fell 15%** as a result of a **26% y/y decline in volume (MWe)**; this fall was concentrated in the onshore business, which shrank by 25% y/y, due to the reduction in activity mainly in India and the UK. The ASP increased by 16% year-on-year, positively impacted by the concentration of activity in offshore installations in the six-month period. The ASP in the onshore business declined by 4% to EUR 0.89 million/MW.

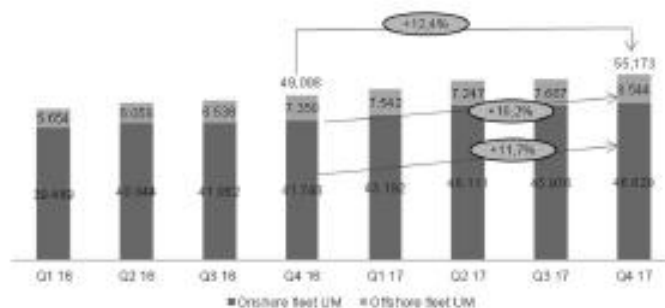
Onshore WTG sales volume (MWe) and ASP<sup>1</sup> evolution (€mn /MW)



1. ASP (Average Selling Price): Average selling price (Sales of AEG/MWe)

**Services revenues increased by 9%, boosted by the fleet under maintenance**

Fleet under maintenance (GW)

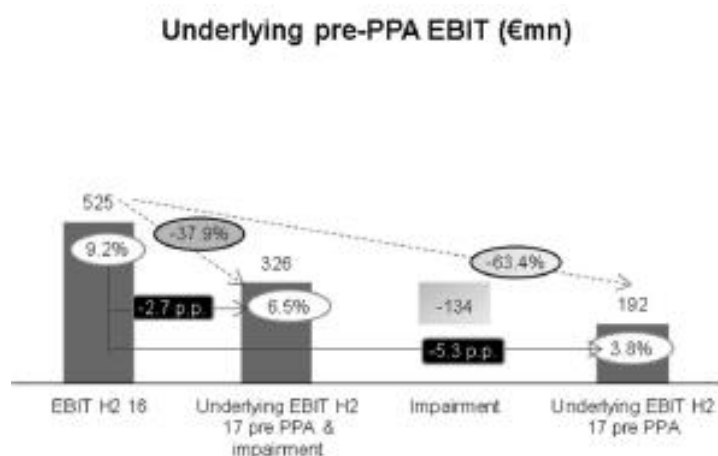


**Group underlying EBIT pre-PPA declined by 63% y/y** as a result of the inventory impairment due to market conditions (EUR 134 million), the decline in sales volumes (MWe) (26% y/y), and the higher losses booked by Adwen. As a result, **the underlying EBIT margin pre-PPA was 3.8%**, 5.3 percentage points lower than the pro-forma underlying EBIT margin in the same period of the previous year: 9.2%.



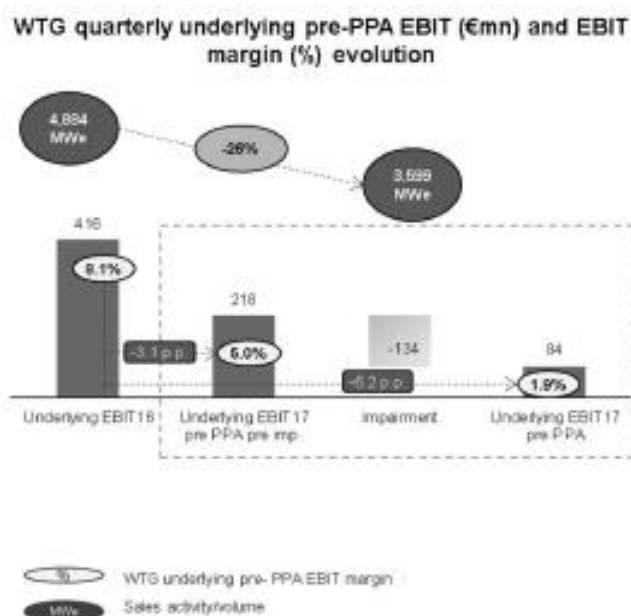
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Adjusting for the impact of the inventory impairment, the underlying EBIT margin pre-PPA would have been 6.5%, 2.7 percentage points lower than in the same period of 2016.



Following the inventory impairment, the main factors impacting year-on-year performance of group profitability were the decline in volumes caused by suspension of the Indian market and the increase in operating losses at Adwen (to EUR 36 million in the period, from EUR 16 million losses in the same period last year). None of these factors are structural: the Indian market is expected to normalise in 2019, and integrating Adwen into the broader offshore operations will enhance performance and reduce the unit's operating losses in the coming years. **The underlying EBIT margin pre-PPA and before the inventory impairment would have been 8.3%.<sup>9</sup>**

**Underlying EBIT pre-PPA in the Wind Turbine segment fell 80% and the underlying EBIT margin pre-PPA was 1.9% at the end of the period**, due to the inventory impairment and the decline in sales volumes. Excluding the inventory impairment, profitability fell 48% to a margin of 5%, 3 percentage points lower than in the same period of 2016, affected by a 26% reduction in sales volumes (MWe).



<sup>9</sup> In the second half of 2017, the impact of India was EUR -37 million and that of Adwen was EUR -36 million. Adwen contributed EUR 199 million in revenues in the second half of 2017.

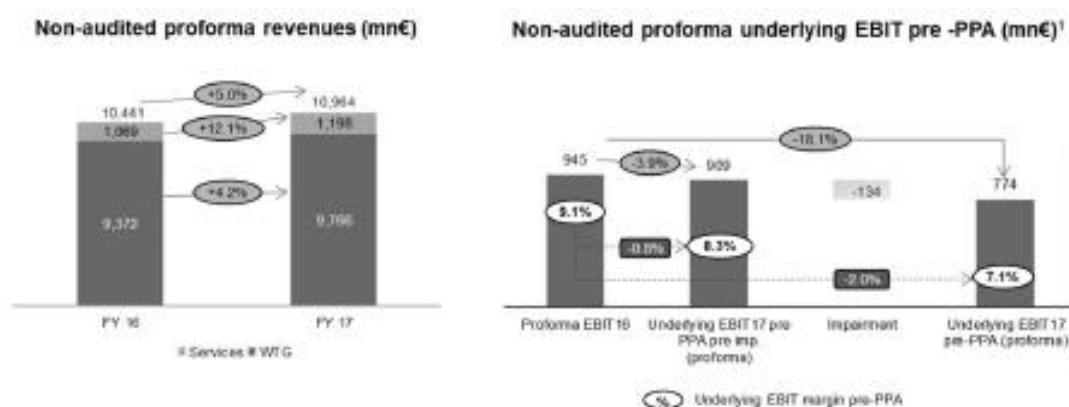
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The services division ended the period with EUR 108 million in underlying EBIT pre-PPA, i.e. flat with respect to the same period of the previous year, and equivalent to a margin of 17.4%, 1.7 percentage points lower than in the second half of 2016, a period in which a currency hedge provided a gain of EUR 8 million. But for that impact, EBIT would have been flat in year-on-year terms.

During the six-month period, the group incurred EUR 22.4 million in financial expenses and in a positive tax effect of EUR 36 million (resulting from tax impact on inventory valuation of EUR 46 mio). The gross impact of amortization of intangibles' fair value coming from the PPA in the period was EUR 235 million.

As a result, the group reported underlying net profit pre-PPA of EUR 118 million, equivalent to EUR 0.2 per share. Including the EUR 252 million impact of PPA amortization and integration and restructuring expenses, and the EUR 88 million impact of the inventory impairment, the company reported a loss of EUR 135 million in the six-month period.

Pro-forma figures for the last twelve months are as follows: revenues amounting to EUR 10,964 million (5% more than in the twelve months to September 2016) and underlying EBIT pre-PPA amounting to EUR 774 million (-18% y/y), i.e. an EBIT margin of 7.1% (2.0 percentage points lower than in the twelve months to September 2016). Excluding the inventory impairment, which has no cash effect, underlying EBIT pre-PPA amounted to EUR 909 million, in line with the guidance announced in July, and equivalent to an EBIT margin of 8.3%, 0.8 percentage points lower than in the same period of the previous year.

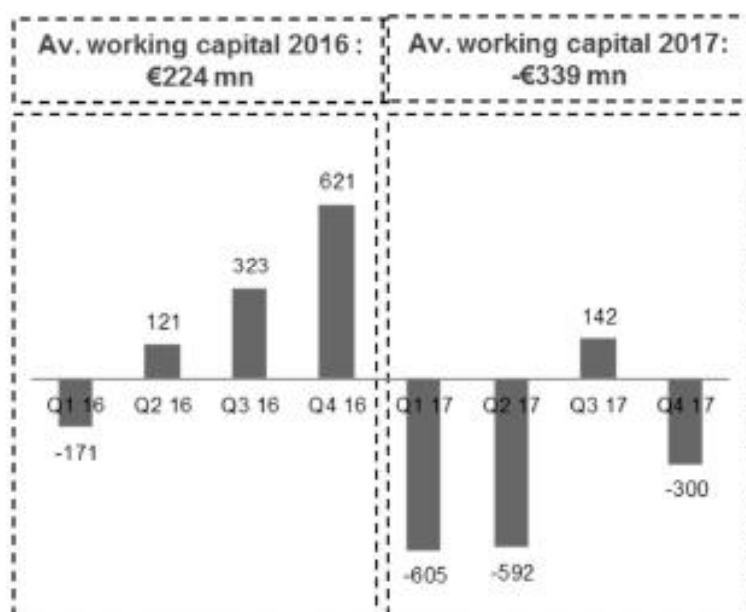


<sup>1</sup> Pro-forma EBIT pre-PPA figures excluding integration costs and the impact on amortization of intangibles' fair value from the PPA, and including full consolidation of Adreon, standalone savings and normalization adjustments. Underlying EBIT LTM September 17 excludes €100 mn in integration, transaction and restructuring costs and €235 mn in PPA (April-September 2017).

Siemens Gamesa ended the year with EUR -300 million in working capital, equivalent to -2.7% of LTM revenues, i.e. almost 9 percentage points less than in September 2016, and more than EUR 900 million lower in absolute terms. Working capital declined as a result of the reduction in sales, the improvement in commercial activity in the fourth quarter, and the reduction in inventory value as a result of the inventory impairment. The increased commercial activity also explains the sequential improvement in working capital.

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## Working capital evolution<sup>1</sup> (€mn)

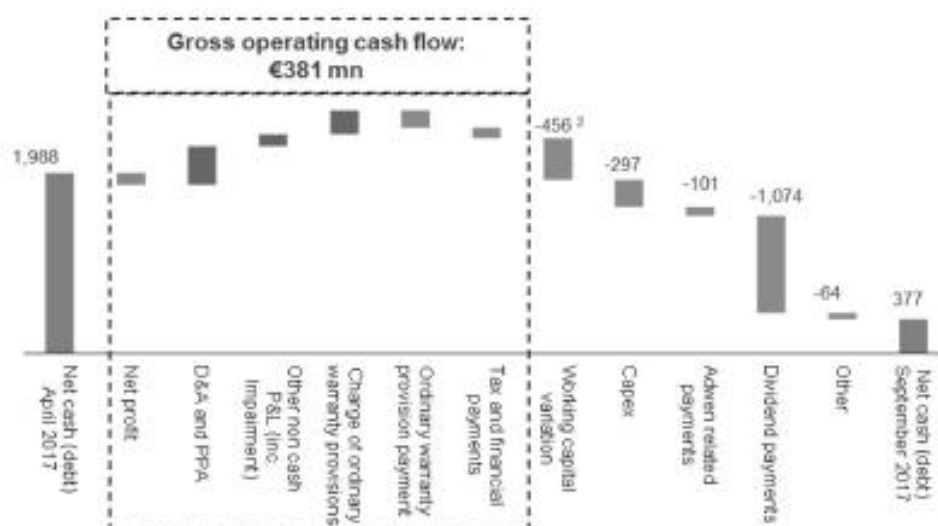


1. Pro-forma working capital as addition of SWP working capital, Gamesa working capital and Adwen working capital for Q1 16 to Q2 17

In the second half of 2017, the company invested EUR 297 million in property, plant and equipment and intangible assets, mainly to start up the factories in Cuxhaven (offshore) and Morocco.

The net cash position was EUR 377 million.

## Net financial debt (cash) variation (€mn)

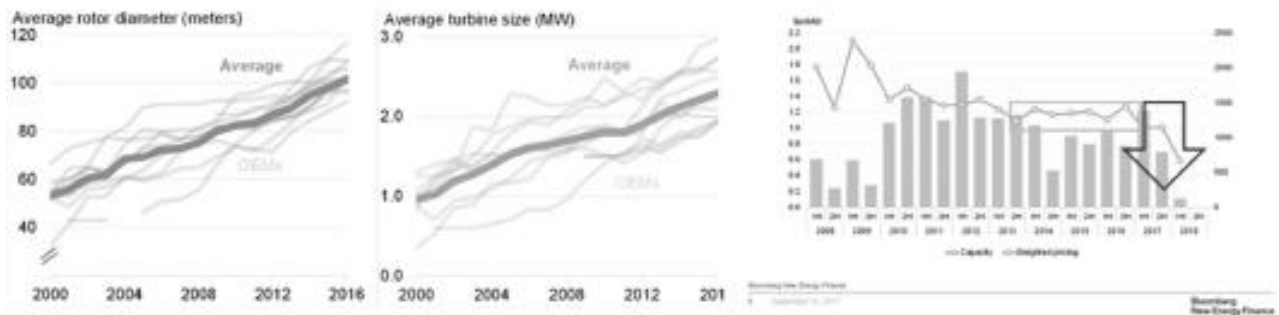


2. Working capital variation of -€456 MM excluding the non-cash impact of the inventory write down and exchange rate

## 2. FORECASTED EVOLUTION

### The transition towards fully competitive energy models enhances wind power's long-term potential

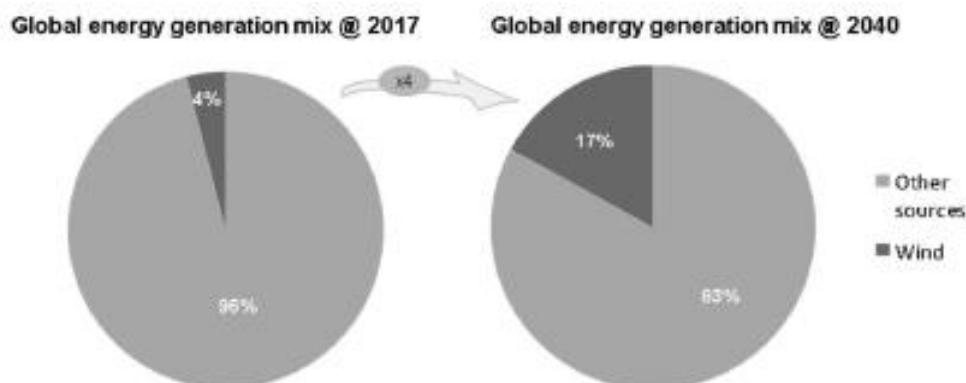
The renewable energy industry is in transition towards fully competitive models. This transition is being made possible by the efficiency achieved by renewable energy, particularly wind power, in recent years and that projected for the future. In the transition, all players in the industry are expected to attain efficiencies in addition to those already achieved. In the supply chain, these efficiencies are achieved through improvements in technology and costs, which are passed on to end customers through higher-performance products (in terms of annual energy output), via such factors as larger rotors and higher rated capacities, and lower cost per MW in wind turbines.



Source: BNEF New Energy Outlook 2017 and H2 Wind Turbine Index

The return being demanded of wind power projects is also declining as the industry matures. In its new Energy Outlook 2017, BNEF expects real returns on capital investment to be around 5% by 2030, while funding costs are projected to be around 2.75% in real terms. **Efforts on the part of the supply chain and operators/investors will lead to a reduction in the cost of wind power of 30-60% onshore and 75% offshore by 2040<sup>10</sup>.**

Achievements to date plus those expected in the coming years greatly enhance wind power's long-term potential. Whereas its contribution to the world energy mix is **currently a marginal 4%, wind will reach 17% by 2040<sup>9</sup>.**



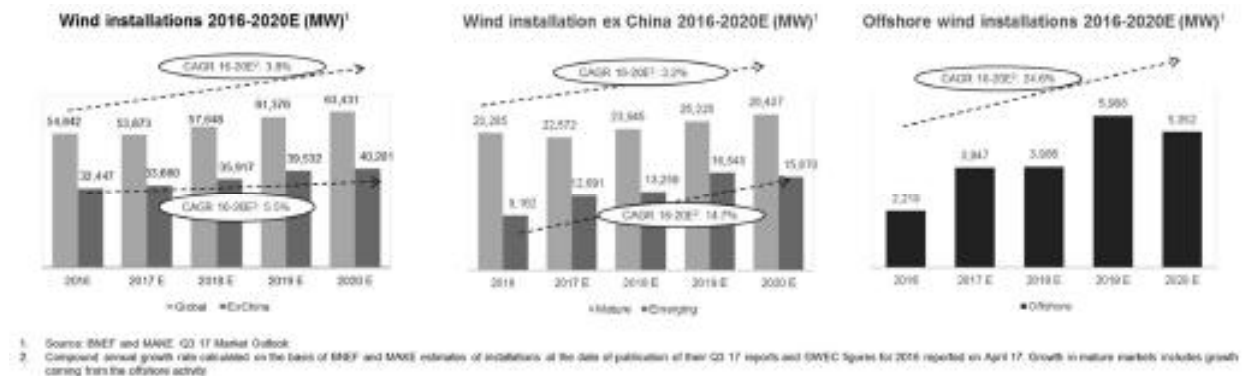
<sup>10</sup> BNEF: New Energy Outlook 2017

# MANAGEMENT REPORT

To attain that level, it will be necessary to install 1,873 GW onshore and 178 GW offshore in the next 24 years, with the onshore division becoming the largest single target of investment in the period, about EUR 3 trillion, ahead of coal, gas, nuclear and utility-scale solar. It is also important to note that wind demand will shift to emerging countries, mainly Asia, the Middle East and Africa.

## Wind power demand prospects for the short and medium term are relatively stable

While the industry is moving towards its long-term potential, the prospects of wind demand are relatively stable in the short and medium term, during which there will be temporary disruptions as the model normalises. The halt in the Indian market, expected to normalise in 2019, is one such market disruption.



## In this context, Siemens Gamesa is uniquely positioned to benefit from the industry's long-term potential

The transition to a fully competitive renewable energy model requires players to be more efficient. In this connection, the rationale for the merger still stands: to create a group with the scale, scope and portfolio of products and services required to provide an optimised cost of energy. Another plus is the relationship with the Siemens group, which will make it possible to develop more competitive offers for our customers.

However, the group is not only positioned to benefit from the long-term potential, once the transition to the new model is complete; it is also well placed to surmount the transition while creating the maximum value for all stakeholders. This will be achieved through a diversified, balanced and complementary business model including leading positions in offshore, in onshore markets with above-average growth, and in services. Balance, diversification and leadership increase the group's resilience at a time when the market may suffer disruptions in specific geographies.

# MANAGEMENT REPORT



The 2018 guidance reflects new pricing levels and a higher demand volatility, all this in the onshore unit, and the achievement of synergies starting in the second half of 2018.

As described earlier, the industry is transitioning towards fully competitive energy models that require all players in the wind industry, including the supply chain, to pursue additional efficiency. These efficiencies will materialise, inter alia, in more competitive wind turbine prices. Moreover, markets will be more volatile during the transition, resulting in temporary disruptions to demand, such as the hiatus in the Indian market. This is all reflected in the guidance for 2018, shown in the next table.

MM €	Pro-forma FY 2017	Guidance FY 2018
Revenues	10,964	9,000-9,600
Underlying EBIT margin pre-PPA (1)	7%	7%-8%
Working capital to sales ratio	-3%	-3% to +3%
Capex	621	c. 500

At end-September 2017, SGRE had fully covered its offshore sales volume guidance, with sales expected to decline slightly after the strong growth registered in 2017, while its onshore average sales volume (MWe) was 58% covered. SGRE's guidance includes projected low double-digit price deflation, in line with market trends and with order intake in the fourth quarter of 2017.

The projected range of 7% to 8% profit margin assumes synergies amounting to around 1.5% of revenues, to be achieved in the second half of the year. It is the achievement of those synergies that will separate performance in the second half from the weaker first-half figures.

The impact of the PPA in the year is expected to amount to EUR 321 million, while the tax rate is projected to be 30%.

All guidance figures are expressed in constant 2017 money.

# MANAGEMENT REPORT

## CONCLUSIONS

Siemens Gamesa Renewable Energy came into being ready to address the challenges and seize the opportunities that the wind business offers in the short, medium and long term, so as to create value for all stakeholders. In a changing environment with increasingly demanding wind markets, the merger's strategic rationale is even more compelling. Global scale and reach have become essential in order to compete profitably. Meanwhile, the combined company's diversification and balance and its leading position in emerging and offshore markets provide resilience and above-average growth potential.

After the creation of the company, which was registered on 3 April 2017, Siemens Gamesa concentrated its efforts during the second half of 2017 on accelerating the integration, aware of the importance of acting as a single group in order to achieve the announced synergies. **The goal now is to achieve these synergies, which amount to EUR 230 million per year, almost one year ahead of the originally announced date; moreover, that figure is now seen as the minimum achievable amount. The onshore business will be the main beneficiary.**

In addition to the integration activities driven by the Integration Office, Siemens Gamesa continued with its normal activity, **though it was materially affected by temporary volatility in some of the group's core markets, with an impact on sales volumes and profitability.** In this context, three factors had a significant impact on the half-yearly results: an inventory impairment to adapt to new market conditions, amounting to EUR 134 million; the halt in the Indian market (the company's second-largest market); and higher losses booked by Adwen. **As a result, revenues fell 12% y/y in the quarter to EUR 5,022 million and underlying EBIT pre-PPA fell 63% to EUR 192 million, equivalent to a margin of 3.8%, i.e. 5.3 percentage points below the pro-forma margin in the second half of 2016. Whereas commercial activity was weak in the merged company's first quarter (Q3), with 805 MW of firm orders, it recovered strongly in the fourth quarter, to 2,919 MW, 40% more than the combined figures of the merged companies in the same period of 2016. Order intake in the onshore division (2,167 MW) was at its highest since the first quarter of 2015, as a result of the materialisation of the trends that were visible in Q3, which impacted order intake in that quarter: conversion of Safe Harbor contracts in the US, expected in the second half of the calendar year, volatility of offshore order intake, and the shift of larger onshore orders to the second half of the year. In offshore, where order intake is more volatile, the contract for Borssele 1 and 2 (752 MW) was signed, as had been announced in Q3. As a result of stronger commercial activity, the order book at end-September amounted to EUR 20,688 million, broken down as follows: Wind Turbines EUR 10,811 million (-8% y/y); and Services EUR 9,877 million (+6% y/y).**

**After paying a special dividend (EUR 3.6 per share) and an ordinary dividend (EUR 0.11 per share) in this six-month period, the company ended the period with a net cash position of EUR 377 million and working capital amounting to EUR -300 million, -2.7% of revenues LTM.**

# MANAGEMENT REPORT

## 3. MAIN BUSINESS RISKS

The Siemens Gamesa Group is exposed to certain financial risks that it manages by grouping together risk identification, measurement, concentration limitation and oversight systems. SIEMENS GAMESA's Corporate Division and the business units coordinate the management and limitation of financial risks through the policies approved at the highest executive level, in accordance with the established rules, policies and procedures. The identification, assessment and hedging of financial risks are responsibility of each business unit, together with the Corporate management.

The risk associated with changes in exchange rates assumed for SIEMENS GAMESA's transactions involve the purchase and sale of products and services relating to its activity that are denominated in various currencies.

In order to mitigate this risk, SIEMENS GAMESA has obtained financial hedging instruments from financial institutions.

## 4. USE OF FINANCIAL INSTRUMENTS

The Siemens Gamesa Group uses financial hedges which allow the Group to mitigate risks involving exchange rates, interest rates, and equity volatility that could affect the Groups' estimated results, based on estimates of expected transactions in its various areas of activity.

## 5. SUBSEQUENT EVENTS

There are no significant subsequent events, except for the November 2017 announcement of further capacity adjustment measures to address changing market conditions, with no impact on the accompanying Consolidated Financial Statements.

## 6. RESEARCH AND DEVELOPMENT ACTIVITIES

Technological development is established within a multi-year framework that is rolled out in the Annual Technological Development Plan, where activities and deliverables are established for each year, and to which a budget is finally assigned.

During the reporting period, the main increase under the caption "Internally generated technology" of the Other intangible assets is due to the development of new wind turbine models, software and the optimization of the components' performance for an amount of EUR 73,647 thousand (EUR 5,812 thousands in 2016) mainly in Denmark and Spain in amounts of EUR 46,570 thousands and EUR 19,571 thousands, approximately and respectively.

## 7. TREASURY SHARE OPERATIONS

At September 30, 2017 SIEMENS GAMESA holds a total of 1,707,508 treasury shares, representing 0,25% of share capital.

The total cost for these treasury shares amounts EUR 21,505 thousands, each with a par value of EUR 12.594.

A more detailed explanation of transactions involving treasury shares is set out in Note 19.E to the Consolidated Financial Statements and Note 13.4 to the Stand Alone Financial Statements of the Notes to the Consolidated Financial Statements at September 30, 2017.



# MANAGEMENT REPORT

## 8. CAPITAL STRUCTURE

THE CAPITAL STRUCTURE, INCLUDING SECURITIES THAT ARE NOT TRADED ON A REGULATED EEC MARKET, THE DIFFERENT CLASSES OF SHARE, THE RIGHTS AND OBLIGATIONS CONFERRED BY EACH AND THE PERCENTAGE OF SHARE CAPITAL REPRESENTED BY EACH CLASS:

In accordance with Article 7 of Siemens Gamesa Renewable Energy, S.A.'s bylaws, reflected in the version approved by the shareholders in general meeting held June 20, 2017, "*Share capital amounts to ONE HUNDRED FIFTEEN MILLION SEVEN HUNDRED NINETY FOUR THOUSAND, THREE HUNDRED SEVENTY FOUR EUROS AND NINETY FOUR CENTS (115,794,374.94 EUR), represented by 681,143,382 ordinary shares of seventeen euro cents of nominal value each, in numbers from 1 to 681,143,382, comprised of a sole class and series, all entirely subscribed and paid in.*"

### SIGNIFICANT DIRECT AND INDIRECT SHAREHOLDINGS

According to public information for Siemens Gamesa Renewable Energy, S.A., its share capital structure at September 30, 2017 follows:

Name or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	Number of voting rights linked to the exercise of financial instruments	% of total voting rights
SIEMENS AKTIENGESELLSCHAFT	205,178,132	196,696,463	-	59.00%
IBERDROLA, S.A.	-	54,977,288	-	8.071%

(\*) Through:

Name or corporate name of direct shareholder	Number of direct voting rights	% of total voting rights
SIEMENS BETEILIGUNGEN INLAND GMBH	196,696,463	28.877%
IBERDROLA PARTICIPACIONES, S.A. SOLE SHAREHOLDER COMPANY	54,977,288	8.071%

## 9. RESTRICTIONS ON THE TRANSFER OF SECURITIES

No restrictions on the transfer of securities exist.

## 10. SIGNIFICANT % OF DIRECT OR INDIRECT OWNERSHIP

See Point 8.

## 11. RESTRICTIONS ON VOTING RIGHTS

There are no legal or bylaw stipulated restrictions on exercising voting rights.

# MANAGEMENT REPORT

## 12. SIDE AGREEMENTS

In compliance with the stipulations set forth in Article 531 of the revised Spanish Corporation Law enacted by Royal Decree 1/2010, of July 2 (“Capital Companies Law”), Iberdrola S.A. notified Gamesa Corporación Tecnológica, S.A. (currently “Siemens Gamesa Renewable Energy, S.A.”) on June 17, 2016 regarding the signing of a side agreement between Iberdrola S.A. and Iberdrola Participaciones, S.A. Sole Shareholder Company, as shareholders (indirect and direct or indirect, respectively) of Gamesa Corporación Tecnológica, S.A. (“the Company”) and Siemens AG. The contract refers to the (i) Company in the context of a merger of its wind energy businesses and Siemens AG (“the Merger”); and (ii) its relationships as future shareholder of the Company subsequent to the merger (the “Shareholders’ Agreement”).

The Shareholders’ Agreement includes terms which qualify it as a side agreement under the terms set forth in Article 530 of Capital Companies Law, even when the effectiveness of certain agreements was contingent upon the Merger taking place.

## 13. RULES GOVERNING THE APPOINTMENT AND REPLACEMENT OF DIRECTORS AND THE AMENDMENT OF THE COMPANY’S BYLAWS

Article 30 of the Siemens Gamesa Renewable Energy, S.A. bylaws state that the members of the Board of Directors are “designated or ratified by the shareholders in general meeting,” and that “should during the appointment period any vacancies arise, the Board of Directors may designate any parties having held them until the first general Shareholders Meeting is held,” in accordance with the terms reflected in Capital Companies Law and bylaws.

In conformity with Article 13.2 of the Board of Directors Regulations, “proposals for appointing Board members submitted to the Board of Directors for consideration by the shareholders in general meeting, and appointment decisions made through the reappointment should be preceded by (a) in the case of independent directors, a proposal made by the Appointments and Remuneration Committee, and (b) in other cases, a report from the abovementioned committee.” Article 13.3 of the Board of Directors Regulations states that “when the Board of Directors extracts itself from the proposal or abovementioned report from the Appointments and Remuneration Committee, reasons for doing so must be reflected in the minutes.”

Article 14 of the same regulations states that “when appointing external directors, the Board and the Appointments and Remuneration Committee will ensure that the directors selected are of recognized solvency, skill, and experience.

*Should the Board Member be a legal person, the individual representing it during the exercise of the functions inherent to the post are subject to the abovementioned conditions.”*

Finally, Article 7.4 of the Appointments and Remuneration Committee Regulations grant it the responsibility for “ensuring that the selection procedures are not affected by implicit skewed processes tantamount to discrimination.”

As regards the reappointment of the Directors, Article 15 of the Board of Directors’ Regulations indicates that “Proposals for reappointing the Directors which the Board of Directors choose to submit to the general shareholders for approval must be accompanied by the corresponding supporting documentation under the terms established by Law. The Board of Directors’ Agreement submitted to the shareholders in general meeting for approval for the reappointment of the independent directors must be adopted at the proposal of the Appointments and Remuneration Committee, while the remaining directors must submit a prior favorable report.

# MANAGEMENT REPORT

*The members comprising the Appointments and Remuneration Committee must refrain from participating in deliberating and voting on their own.*

*The reappointment of a board member who forms part of a committee or holds an internal position on the Board of Directors or any of its committees will determine his/her continuity in the post; express reelection is unnecessary, without prejudice to the revocation faculties corresponding to the Board of Directors.*

Board member termination is regulated by Article 16 of the Board of Directors Regulations, which states that *“board members will step down after their appointment period has transpired, without prejudice to the possibility of reelection, and when the general shareholders meeting so decides at the proposal of the Board of Directors or the shareholders under legislation.”*

The steps and criteria established in this regard are set forth in Capital Companies Law and the Mercantile Register Regulations.

Article 16.2 of the Board of Directors Regulations states that *“board members or individuals representing a legal person member must make their positions available to the Board and arrange any corresponding resignation, in any case based on a prior report from the Appointments and Remuneration Committee for the following cases:*

- a) For proprietary directors when they or the shareholder they represent cease to own significant shareholdings in the Company, and when they revoke representation.*
- b) When executive directors step down from their positions associated to their appointment as board members and when the Board of Directors considers it appropriate.*
- c) Non-executive directors are integrated into the Company’s executive line or that of any of the Group companies.*
- d) When they are involved in any of the situations representing incompatibility or prohibition as foreseen in Corporate Governance Regulations or law.*
- e) When they are immersed in legal procedures arising from alleged criminal activity, or tried for any of the crimes indicated in the terms outlined in Capital Companies Law regulations prohibiting individuals from holding director posts, or have been fined by the supervisory authorities due to serious or very serious infringement.*
- f) Where there have been serious reprimands from the Board of Directors or fines resulting in serious or very serious infractions arising from not complying with their obligations as Company directors.*
- g) When their continued presence on the Board could jeopardize the interests of the Company or when the reasons for which they were appointed cease to apply.*
- h) When, as a result of actions attributable to the director in the performance of this role, serious damage occurs to Company assets or reputation, or should said person lose the professional reputation required to be one of the Company’s directors.”*

In accordance with Sections 3, 4, and 5, *“in any of the above circumstances, the Board of Directors shall request the director to step down from his/her directorship, and where appropriate, submit a proposal for this cessation at the General Shareholders’ Meeting. As an exception, the aforementioned reflected in sections a), d) f), and g) shall not be applicable in the cases of grounds for resignation when the Board of Directors considers that there are sufficient reasons to justify the continuing appointment of the director, without prejudice to the effect that the new situation might have on the person’s qualifications for the position.*

# MANAGEMENT REPORT

*The Board of Directors may only propose that an independent director be removed before the period established in the bylaws has expired in the event that the Board of Directors considers that there is just cause following a report from the Appointments and Remuneration Committee. Specifically, due to not complying with the duties inherent to his/her position or arising from any of the legally-established circumstances representing lack of compatibility due to pertaining to this category.*

*Board members stepping down from their positions prior to the end of their mandates must send a letter to all Board members explaining their reasons for doing so.”*

## **Rules governing bylaw amendments**

Amendments made to the Siemens Gamesa bylaws are governed by the terms of Articles 285 to 290 of Capital Companies Law approved by Royal Decree Law 1/2010 of July 2 (“Capital Companies Law”).

Additionally, amendments made to the Siemens Gamesa bylaws are covered by the terms outlined in the Company’s bylaws and the Regulations of the General Shareholders’ Meeting.

As regards the competencies for making amendments, Articles 14. h) of bylaws and 6.1 h) of the Regulations of the General Shareholders’ Meeting indicate that this role corresponds to the Siemens Gamesa General Shareholders’ Meeting.

Articles 18 of bylaws, and 26 of the Regulations of the General Shareholders’ Meeting include the quorum requirements for the General Shareholders Meeting adoption of agreements. Articles 26 of its bylaws, and 32 of the General Shareholders Regulations indicate the necessary majority for these purposes.

Article 31.4 of the General Shareholder’s Regulations indicates that in accordance with legislation, the Board of Directors will make proposals for different agreements regarding matters which are substantially independent, so that shareholders may individually exercise their voting preferences. The above is specifically applicable in the case of amendments to the bylaws, with votes taken on all articles or groups of articles that are materially different.

In accordance with Article 518 of Capital Companies Law, due to the call for a general Shareholders Meeting devoted to amending bylaws, the Company website will include the complete text of the agreement proposals on the Agenda in which the amendments are proposed, as well as reports from competent bodies in this regard.

## **14. THE POWERS OF BOARD OF DIRECTORS AND, SPECIFICALLY, POWERS TO ISSUE OR BUY BACK SHARES**

### **Powers of Directors**

During its meeting held on June 20, 2017, the Board of Directors of Siemens Gamesa Renewable Energy, S.A. unanimously agreed to reappoint Markus Tacke as the Company’s Chief Executive Officer, thereby delegating all the legally and statutory faculties corresponding to the Board, except those which are not covered by Law and the Bylaws, which Mr. Tacke accepted, as reflected in the meeting minutes.

# MANAGEMENT REPORT

## Powers to buy back shares

At the date of approval of this Report, authorization was still pending from the Company's General Shareholders Meeting held on May 8, 2015, by virtue of which the Board of Directors will be entitled to acquire treasury shares. The following is the literal text of the agreement adopted by the above reflected under point 9 of the Agenda:

*"In accordance with Article 146 of Capital Companies Law, with express substitution faculties, authorize the Board of Directors to acquired shares in Gamesa Corporación Tecnológica, Sociedad Anónima ("Gamesa" or "the Company") under the following conditions:*

- (a) The acquisitions may be made by Gamesa or indirectly through its subsidiaries, on the same terms as described herein.*
- (b) The share acquisitions will be accomplished by way of sale or exchange transactions or as otherwise permitted by law.*
- (c) The acquisitions may, from time to time, be made up to the maximum figure permitted by law.*
- (d) The minimum share price will be their nominal value, with a maximum price not to surpass 110% of their listed value at the date of acquisition.*
- (e) Shares acquired may be subsequently be sold at freely-determined conditions.*
- (f) This authorization is granted for a maximum period of 5 years, and expressly renders the authorization granted during the general Shareholders Meeting held on May 28, 2010 for the unused portion without effect.*
- (g) As a result of the acquisition of shares, including those which the Company or party acting in its own name yet on behalf of the Company acquired previously and held in portfolio, the resulting equity may not be reduced to under the amount of share capital plus legal reserves or those restricted, all without prejudice to letter b) of Article 146.1 of Capital Companies Law.*

*Finally, regarding the contents of the final paragraph of the Article 146.1.a) of the Capital Companies Law, shares acquired as a result of this authorization may be used by the company to deliver to its employees or its directors, either directly or through the exercise of options or other rights contemplated in the incentives plan for owners/beneficiaries as stipulated in legal, statutory, and regulatory guidelines."*

## **15. SIGNIFICANT AGREEMENTS TO WHICH THE COMPANY IS A PARTY AND WHICH TAKE EFFECT, ALTER OR TERMINATE UPON A CHANGE OF CONTROL OF THE COMPANY FOLLOWING A TAKEOVER BID AND THE EFFECTS THEREOF, EXCEPT WHERE DISCLOSURE WOULD SEVERELY PREJUDICE THE COMPANY'S INTERESTS. THIS EXCEPTION IS NOT APPLICABLE WHERE THE COMPANY IS SPECIFICALLY OBLIGED TO DISCLOSE SUCH INFORMATION ON THE BASIS OF OTHER LEGAL REQUIREMENTS**

In conformity with the framework agreement dated December 21, 2011 (significant event 155308) between IBERDROLA, S.A. and the subsidiary of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., GAMESA EÓLICA, S.L Sole Shareholder Company, the supposed change of control in GAMESA CORPORACIÓN TECNOLÓGICA, S.A. will permit IBERDROLA, S.A. to terminate the framework agreement, and neither party may make any claims subsequently.

# MANAGEMENT REPORT

On December 17, 2015, Siemens Gamesa Renewable Energy Wind Farms, S.A. (former Gamesa Energía, S.A.U.) (buyer) and GESTIÓN, ELABORACIÓN DE MANUALES INDUSTRIALES INGENIERÍA Y SERVICIOS COMPLEMENTARIOS, S.L., INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U., CAF POWER & AUTOMATION, S.L.U. and FUNDACIÓN TECNALIA RESEARCH & INNOVATION (seller) signed a purchase-sale agreement for the shares. On the same date, to oversee the relationship between Gamesa Energía, S.A. Unipersonal and INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U. (ICF), as future NEM partners (where applicable), the parties signed the Partners' Agreement. By virtue of the terms established in the abovementioned agreement, should control over SIEMENS GAMESA RENEWABLE ENERGY, S.A. (former GAMESA CORPORACIÓN TECNOLÓGICA, S.A.) subsequently take place, Gamesa Energía, S.A.U. must offer the remaining partners direct acquisition of its NEM shares.

On June 17, 2016, effective April 3, 2017, Siemens Gamesa Renewable Energy, S.A. (at the time "Gamesa Corporación Tecnológica, S.A.") and SIEMENS AKTIENGESELLSCHAFT (Siemens) signed a strategic alliance agreement, featuring a strategic supply contract by virtue of which Siemens became the strategic supplier of gears, segments, and other products and services offered by the Siemens Group to Siemens Gamesa. The abovementioned alliance will continue in force during the period during which Siemens: (a) directly or indirectly holds 50.01% of Siemens Gamesa Renewable Energy, S.A.'s share capital, or (b) holds representative shares of at least 40% of share capital, as long as it holds the majority of Board of Director voting rights, with no shareholders which individually or jointly hold less than 15% of share capital. Therefore, in cases of change of control, the parties are entitled to terminate the strategic alliance, although its minimum duration in any case would be three (3) years (i.e., until April 3, 2020).

On March 31, 2017, Siemens Gamesa Renewable Energy, S.A. (at that time, "Gamesa Corporación Tecnológica, S.A."), and SIEMENS AKTIENGESELLSCHAFT (Siemens) entered into a licensing agreement by virtue of which Siemens Gamesa is entitled to use the Siemens brand in its company name, corporate brand, and product brands and names. The abovementioned alliance will continue in force during the period during which Siemens: (a) directly or indirectly holds 50.01% of Siemens Gamesa Renewable Energy, S.A.'s share capital, or (b) holds representative shares of at least 40% of share capital, as long as it holds the majority of Board of Director voting rights, with no shareholders which individually or jointly hold less than 15% of share capital. Therefore, a change of control might lead to termination of the licensing agreement.

By virtue of certain agreements reached as a result of the merger between Siemens Gamesa Renewable Energy, S.A. and Siemens Wind HoldCo, S.L. (sole shareholder company), the Siemens Group will have and grant certain guarantees with regard to the joint venture. The above agreements may be terminated and their applicable terms granted may be amended should a change of control take place.

Furthermore, as is customary for large electricity supply infrastructure projects, there are contracts with clients which regulate a supposed change in control, thereby providing each reciprocal power to terminate them should such a situation arise, especially in cases in which the new controlling party is the other party's competitor.

Finally, Siemens Gamesa Renewable Energy, S.A., as a company member of the Siemens Group, has adhered, with an effective date from October 1, 2017, to the Siemens Group insurance program, which includes all-risk property damages insurance policies, civil liability insurance policies, transport, chartering of ships and all-risk construction insurance policies. If SIEMENS GAMESA lost its status as a company member of Siemens AG group, it would lose its right to adhere the aforementioned insurance program.

# MANAGEMENT REPORT

## **16. ANY AGREEMENTS BETWEEN THE COMPANY AND ITS DIRECTORS, OFFICERS OR EMPLOYEES THAT PROVIDE FOR SEVERANCE PAYMENTS IF THEY RESIGN, ARE UNFAIRLY DISMISSED OR IF THEIR EMPLOYMENT CONTRACTS TERMINATE AS A RESULT OF A TAKEOVER BID**

In general, the contracts of executive directors and some managers of the steering committee include a clause giving them the right to receive the economic compensation indicated below in the event that their employment relationship is ended for reasons attributable to the Company and/or due to objective reasons such as a change of ownership. In general terms, the agreed upon economic compensation consists in payment of the amounts corresponding to different periods to a maximum of eighteen months, depending on the personal and professional circumstances under which the agreement was signed. In accordance with the new Remuneration Policy agreed upon by the directors during the general Shareholders Meeting held on June 20, 2017, the above economic compensation has a one-year limit.

Employees recognized for their work who are not directors in general do not receive economic termination benefits different from those established by prevailing law.

## **17. NON FINANCIAL INFORMATION CONSOLIDATED STATEMENT**

The disclosure of non-financial information or related to corporate social responsibility contributes to measure, monitor and manage the performance of the company and its impact on society.

In this context, in order to improve coherence and comparability of the non-financial information disclosed, our company prepares a non-financial information statement which contains information relative, at least, to environmental and social issues, as well as regarding personnel, respect for human rights and the fight against corruption and bribery.

Due to the special circumstances generated by the merger of Gamesa with Siemens' wind power business, as well as to the new Royal Decree-Law 18/2017 which became effective on November 24, 2017, the information contained in this statement reflects the situation included in the period elapsed between April and September, 2017 ("the reporting period").

This information will be further detailed (in a separate additional report) with the Sustainability Report of Siemens Gamesa Renewable Energy, which will be published and released foreseeably during the month of February, 2018.

### **A) BRIEF DEFINITION OF THE GROUP'S BUSINESS MODEL**

The Board of Directors, aware of the responsibilities corresponding to Siemens Gamesa with respect to the company as a whole, is committed to ensuring that its activity is carried out in accordance with a set of values, principles, criteria and attitudes aimed at achieving the sustained creation of value for the shareholders, employees, clients and for the entire company.

### **B) POLICIES THAT THE GROUP APPLIES WITH RESPECT TO THESE ISSUES**

Some of the specific policies including commitments to achieve this goal include the following:

**Corporate governance and regulatory compliance policies:** i) Corporate governance policy; ii) Policy on communications and contact with shareholders, institutional investors and voting advisors; iii) Remuneration policy of the shareholder; iv) Policy for the coordination and definition of the Group and basis of corporate organization; v) Policy on selecting directors; vi) Policy of remuneration of directors; vii) Senior management bylaw; viii) Policy for hiring financial auditors; ix) Policy for crime prevention and fighting fraud; x) Corporate tax policy and xi) Investment and financing policy.

# MANAGEMENT REPORT

**Risk policies:** i) General policy for risk control and management.

**Social responsibility policies:** i) Global policy of corporate social responsibility; ii) Policy of diversity and inclusion; iii) Hiring policy and relationship with suppliers, contractors and collaborators and iv) Climate change policy.

**Global policy of corporate social responsibility:** This global policy establishes the basic principles and the general frame of action for the management of practices of corporate social responsibility assumed by the Group.

**Code of Conduct:** To materialize these corporate values, the Business Code of Conduct<sup>11</sup> governs the conduct of the companies of Siemens Gamesa Renewable Energy, S.A. It also governs people on the performance of their duties and work, as well as in their commercial and professional relationships in order to consolidate the universal accepted corporate ethic. The latest version of the Code of Conduct (revised periodically since its first edition in 2005) was approved by the Board of Directors on April 5, 2016 and it is placed at the disposal of employees on hard copy and also on the website and intranet, along with other important internal and external rules.

**Legality, rights and fundamental liberties statement:** Siemens Gamesa and its Group are committed to respecting legality, human rights and public liberties. In this regard, they shall refrain from complicity in violating valid legality and shall additionally adopt the corresponding international standards and guidelines where no suitable legal instrument exists, encouraging and promoting the integration of the principles of the United Nations Global Compact.

**Labor rights statement:** Siemens Gamesa and its Group are committed to promote and respect workers' rights to associate, organize, and join to labor unions and collective bargaining. Siemens Gamesa and its Group are also committed to eradicate all forms of forced labor, work carried out under arduous, extreme, subhuman or degrading conditions, child labor or work done by children at an age where school is mandatory in the corresponding country, and any type of work under duress. The workday shall accommodate the local legislation in each country, ensuring compliance with the bargaining agreements and recommendations of the International Labor Organization. Likewise, Siemens Gamesa and its Group undertake to comply with the legislation in force regarding remuneration based on the principle of equal pay for work of equal value.

**Fight against fraud. Statement of the rejection to corruption and bribery.** Siemens Gamesa and its Group shall ensure that their activities remain based on the principles of legality and the fight against corruption in all its forms. They also manifest their firm commitment to the principles of the Crime Prevention and Anti-fraud Policy and, in particular, to refraining from practices that could be considered to be irregular in developing their relationships with clients, suppliers, providers, competitors, authorities, etc., including actions concerning money laundering.

**Policy against Climate Change:** This statement was drawn up to fulfill the Overall Corporate Social Responsibility Policy, through which Siemens Gamesa fosters the sustainable use of resources, the culture of respect for the natural environment and the fight against climate change by reducing the environmental impact of the company's activities, defending biodiversity and encouraging information and training on that culture.

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<sup>11</sup> See: <http://www.gamesacorp.com/recursos/doc/accionistas-inversores/gobierno-corporativo/reglamentos-estatutos/english/5.pdf>



# MANAGEMENT REPORT

**Diversity and Inclusion Policy:** The Group has a Diversity and Inclusion Policy carried out which principles apply to all geographic regions where it is present. It aims to ensure equality and inclusion and avoid any kind of discrimination based on race, gender, civil status, ideology, political opinions, nationality, religion or any other personal, physical or social characteristic. The Diversity Committee supervises its fulfillment in a working environment that fosters dignity and respect for everyone.

**Integrated Excellence Policy:** Through its Integrated health and safety on the work, environmental and quality Policy, Siemens Gamesa Renewable Energy, S.A. has set the full satisfaction of internal and external customers as a target for all of its processes. In order to achieve this, the company has established a safe working environment; has ensured maximum respect for the environment throughout the life cycle of its products and has adhered to an advanced quality system.

**Management systems:** The integrated management system includes environmental management in accordance with ISO14001 standard, quality management in accordance with the ISO 9001 standard and health and safety management in accordance with the OHSAS 18001 standard. There are systems to identify the quality, health & safety, environmental and energy-related aspects of the activities, products and services the company monitors and can influence within the scope defined for its integrated management system, taking into account new or planned developments, as well as new or modified activities, products and services. The system requires that all our relevant production and office sites implement such management systems.

## C) RESULTS OF THOSE POLICIES

Continuous improvement and collaboration in the attainment of sustainable development are among Siemens Gamesa Renewable Energy commitments. From a prevention standpoint, the Group fully manages and applies good practices geared at environmental and social protection, preserving the workers' rights, respect to Human Rights and fight against corruption and bribery, and encourages information and training on this culture.

In particular, the Group endorsed the United Nations Global Compact principles (participant ID 4098)<sup>12</sup> and expresses its commitment and support to the promotion of the ten principles of labour rights, human rights, environmental protection and the fight against corruption on a yearly basis. The company annually publishes a Communication on Progress (COP) report, which reviews compliance with such principles. This document is made publicly available on the United Nations Global Compact website.

Also, the Group's Corporate Social Responsibility plan aligns with this target and focuses on positioning in the long term, addressing CSR aspects with relevance for stakeholders and incorporating these expectations into the Company's decision-making and the day-to-day management of its business. This translates into: i) Complying with Global CSR Policy and the policies associated with its development; ii) Making the Group a benchmark partner for customers and investors and a management reference model for other stakeholders.

Additionally, article 11 b) of the Regulations of the Audit, Compliance and Related Party Transactions Committee addresses within the scope and functions of this committee the monitoring of the strategy and practices in relation to corporate social responsibility and assessing its degree of compliance. For this purpose, the Committee will inform, previous to its approval by the Board of Directors, the Sustainability Report (also named as Corporate Social Responsibility Report).

At the end of the reporting period, the Group completed its yearly monitoring cycle. It is concluded that the plan contributed to i) the achievement of the Business Plan 2015-2017, as an additional lever, and to ii) transform the Group into a reference company for clients and investors and into a reference model in management for the rest of the stakeholders. Sustainability policies and strategy remains also a key element for accessing potential new investors and for granting inclusion in international sustainability indexes (i.e. Dow Jones Sustainability Indices, FTSE4Good).

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<sup>12</sup> See: <https://www.unglobalcompact.org/what-is-gc/participants/4098>

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## D) MAIN RISKS RELATED TO THOSE ISSUES

The Group's General Risk Control and Management Policy <sup>13</sup>, approved in 2009 and last amended by a resolution of the Board of Directors on September 23, 2015, sets out the bases and general context of all the components of risk control and management, providing discipline and structure to aspects such as management objectives and philosophy, the risk identification model, assessment, measurement and control of risks, accepted risk levels, communication, reporting and oversight by the Audit, Compliance and Related Party Committee and the Board of Directors, integrity, ethical values, powers and the assignment of responsibilities.

The Group considers the risk factors in accordance with the Business Risk Model classified into four categories i) Corporate governance, ethics and compliance risks; ii) Strategic and environmental risks; iii) Process risks and iv) Risks associated with information for making decisions or legal requirements.

The company has risk control and management systems that are supported in an appropriate definition and assignment of functions and responsibilities at the operational level and in some procedures, methodologies, support tools and information systems appropriate for the different stages and activities of the system.

## E) KEY INDICATORS OF NON-FINANCIAL RESULTS

### E.1 Environmental issues

#### **E.1.1 Energy consumption.**

Energy consumption within the organization, which includes all facilities, buildings and offices belonging to Siemens Gamesa Renewable Energy Group, is calculated by adding up: i) Primary energy consumption of fuels for the production of products and services and ii) Secondary energy consumption of electricity bought from third parties for buildings and offices. Total internal energy consumption amounted to 477.570 gigajoules in the reporting period. Hence, the figure for energy consumption per employee and year amounted could be estimated to 37 GJ/employee/year. Consumption of natural gas keeps being the most relevant primary energy source representing 54% of the total primary energy demand. Electricity consumption for the reporting period amounts to 290,681 GJ, being relevant that the share of renewable electricity amounted to 58% of the total electricity consumption.

#### **E.1.2 Greenhouse Gas Emissions**

Siemens Gamesa Renewable Energy has taken up the challenge of reaching carbon neutrality in 2025. Becoming carbon neutral is one of the most ambitious climate targets any organization could set, as it requires a process of (i) calculation; (ii) reduction; and (iii) emission offsetting according to the main existing methodologies to determine neutrality. Siemens Gamesa Renewable Energy measures its direct and indirect emissions on an annual basis (measurement of the carbon footprint) with its operating constraints and according to the requirements set forth in the ISO 14064-1 standard. That includes CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, SF<sub>6</sub>, PFCs and HFCs within the emissions inventory.

Direct greenhouse gas emissions (Scope 1) arise from sources in the Company's ownership or under its control. Include emissions generated by the combustion of materials to generate heat. During the reporting period, Scope 1 emissions amounted to 10,808 tCO<sub>2</sub>-eq. Indirect greenhouse gas emissions (Scope 2) refer to the consumption of purchased electricity and district heating. During the reporting period, Scope 2 emissions amounted to 35,085 tCO<sub>2</sub>-eq. Therefore, the company's total emissions (Scope 1+Scope 2) amounted to 45,893 tons CO<sub>2</sub>-eq during the reporting period.

#### **E.1.3 Waste**

Environmental impacts of waste generated depend on the type of waste and its method of disposal. Our waste performance indicators address both waste recyclability and absolute disposal waste.

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<sup>13</sup> See: <http://www.gamesacorp.com/recursos/doc/accionistas-inversores/gobierno-corporativo/politicas-corporativas/risk-policies/general-policy-for-risk-control-and-management.pdf>

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We differentiate between hazardous and non-hazardous waste, because this material arises directly from production. The groups of hazardous and non-hazardous waste are each further divided into recyclable waste and waste for disposal. The total volume of waste amounted to 24,387 tons in the reporting period. The ratio of hazardous waste generation to non-hazardous waste generation is set up at 1:10, and the waste overall recycling rate was 79%.

## **E.1.4 Water and waste water**

Water consumption at Siemens Gamesa is mainly produced at manufacturing centers, where the best practices available are used to reduce water withdrawal and consumption and to include reused water in production processes. Total water consumption in the period amounts to 196,575 cubic meters. Water consumption without chemically unchanged cooling water represents close to 3 % of the water consumption balance. Waste water from manufacturing processes amounts to 137,393 cubic meters.

## **E.1.5 Biodiversity**

Wind projects are conducted in a sustainable way that would allow for a balanced coexistence, thus conserving and protecting natural assets. This respect for biodiversity and ecosystems plays a leading role in the company's business strategy. As a general rule, protected areas and areas of high biodiversity value without protection are avoided during the design stage of new infrastructures.

There are different regulatory and voluntary instruments to achieve a positive net balance in relation to the environment, including: i) Group environmental policies and procedures; ii) Full compliance with licenses granted by environmental regulatory authorities at each region, which set out constraints and obligations to ensure the local environment's protection.; iii) Setting environmental and control plans and implementing management systems, the majority of which have been certified according to the ISO 14001 standard to prevent and control environmental risks.

## **E.1.6 Product-related environmental information**

Siemens Gamesa aligns with the process known as Life Cycle Assessment (LCA), which aims to assess the environmental loads associated to a product, process or activity, taking into account its entire life cycle.

This process follows ISO 14040 and 14044 standards and analyzes the entire life cycle of the product and the processes associated to each stage. It defines the environmental impacts related to each phase, stage or unitary process, assessing which are more or less harmful, and serves as a reference model for drawing up future designs and redesigns. The current reporting period shows a 100% rate for products covered with LCAs (16) and Environmental Product Declarations-EPDs (13), as well as a 100% revenue-based coverage ratio within our business.

By continuously increasing the number of LCAs, we gain a comprehensive knowledge base about the environmental footprint we create during the entire lifecycle. At the same time, we use the insight gained from the LCAs to improve not only product-related but also process-related aspects, as well as to help optimize the internal production landscape.

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## E.2 Social, Personnel & employment issues

### **E.2.1 Employment**

At the end of the reporting period, the total headcount amounted 25,337.40 Full-time employees (FTEs). Full-time employees are employees with an employment contract (permanent & fixed term) calculated based on employment hours compared to standard full-time employment hours. From a geographical perspective, Europe, Middle East and Africa is the most populated region (67.56%), followed by Asia, Australia (18.88%) and Americas (13.54%).

Evidence of diversity within the Group's workforce is that 97 distinct nationalities are employed worldwide.

The ratio of female employees represents an overall 17.92% of the total workforce. By regions, the female gender disclosure represents 20% in Europe, Middle East and Africa, 19.7% in Americas and 9.37% in Asia, Australia.

The share of female employees in management positions rises up to 10.06% within the collective.

The age structure in fiscal year is mostly represented by employees of less than 35 years (41.90%), followed by employees from 35 to 44 years (33.94%); employees from 45 to 54 years (17.92%); employees from 55 to 60 years (4.39%) and finally employees of more than 60 years (1.85%).

On an overall basis, the average age of employees is 38.12 years.

During the reporting period 2,598 employee exits were registered, of which 1,149 were voluntary (44%). On the other hand, the number of hirings in the period amounted 1,841, Europe, Middle East and Africa being the most relevant regions with 64% of the new employee hirings.

The overall employee turnover rate by the end of the reporting period is set up at 4.50%.

Any person having an employment relationship with Siemens Gamesa Renewable Energy is entitled to parental leave and, among other benefits, can form part of an insurable group. The identification and overall management of the social benefits provided in each country is done according to the legislation, uses and customs of the country the employee is at.

### **E.2.2 Occupational health and safety**

Consolidated health and safety management program: The company has a global occupational health and safety management system in place which applies to its global network of centers. Said health and safety management system is duly certified according to the OHSAS 18001 standard. The international OHSAS 18001 standards contribute to reducing occupational accident rates and increasing productivity by ensuring compliance with prevention legislation and promoting a culture of prevention by making prevention an integral part of the company's general systems.

Accident indicator management is governed by internal rules which lays down standard criteria for classifying, recording, notifying, investigating and analyzing incidents in order to determine underlying deficiencies in the prevention system and any other factors which may cause or contribute to incidents occurring; identify the need to implement corrective actions; and identify opportunities for preventive action and continuous improvement.

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At the end of the reporting period, the number of lost time injuries (LTI) within the Group amounted to a total of 47. As a result, at the end of the period the overall employee Lost time injury frequency rate reached 0.40. This rate is calculated for a period of 200,000 working hours, and includes all accidents that result at least in one lost work day. In the case of contractors, this rate amounts to 0.52.

Group's combined activity for employees and contractors sets the rate on 0.45 at the end of the reporting period.

The occupational illness frequency rate (OIFR) for employees is closed at 0.43, calculated solely on the basis of cases of occupational illness recognized by the Employers' Liability Insurance Association.

The Group performs preventive health check of the employees and their own medical services are responsible for carrying out regular medical check-ups.

Likewise, the Group acts proactively to analyze the reason of the accidents and is equipped with management indicators which show the attainment level of this working philosophy in day-to-day management. This includes, for example, the performance of safety inspections (7,682), safety observations (18,667) and health & safety audits (61) at the end of the reporting period.

## **E.2.3 Training and Education**

Within policies and processes of personnel recruitment, no candidate is discriminated against at any stage of the recruitment process due to reasons of gender, age, race, religion, beliefs or opinions. The evaluation criteria exclusively address professional requirements, ensuring that knowledge, capacities and abilities are assessed. Compliance of prevailing legislation on the recruitment of disabled people and the implementation of actions to eliminate all kind of forced or compulsory labor by eliminating child and compulsory labor to pay back debts and ensure no other kind of forced labor exists.

During the reporting period, training was provided to 20,927 employees (82% of the total) with a cumulative number of training hours of 286,812.

The Group managed 583 graduates - includes interns and students - at the end of the reporting period of which 491 (84%) were internal, that is, were paid for work while were studying.

## **E.2.4 Diversity and equal opportunities**

The Group has implemented a Diversity and Inclusion Policy, whose principles apply to every geographic regions where it is present. It aims to ensure equality and inclusion and to avoid any kind of discrimination based on race, gender, civil status, ideology, political opinions, nationality, religion or any other personal, physical or social characteristic. The Diversity Committee oversees its fulfillment in a working environment that fosters dignity and respect for everyone.

## **E.2.5 Local Communities**

The company is involved in local communities where it operates through action programs aiming to create well-being, generating local economic income and fostering local technological development through initiatives like, but not limited to, the following: i) cooperation programs for local development; ii) programs for access to education and skills development; iii) programs aimed to conserve local culture; iv) providing health services; v) programs aiming to strengthen the community's institutions, groups and local authorities; and vi) environmental, social and cultural programs involving local networks and other institutions.

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Within the reporting period, the following local community programs are in place:

- Training and economic empowerment of Aboriginal women through microcredits in agriculture in the region of Gujarat (India).
- Nursery school for Motiya (India). This solidarity project aims to build a kindergarten to take care of the children of the town while their parents work.
- Gamesa Soccer League III (India). Youngsters from India's rural areas to develop their sporting skills at a soccer training campus while, at the same time, being taught on how to take care of the environment and good eating habits.
- Telecentros Project II (Brazil). Fostering technology literacy through free centers where teenagers suffering a risk of exclusion can develop their computer skills.
- Promotion of healthy lifestyles among girls, boys and young people from Unión Hidalgo in the Isthmus of Oaxaca Region (Mexico).
- Mulheres que criam - Camaçari (Brazil). Fostering the economic sustainability of the Nossa Senhora do Amparo mothers group by sustaining the activities of a printing school, thereby generating jobs and resources for economically vulnerable women.

## E.3 Respect to Human Rights

In compliance with the Group's policies, the human rights complaint procedures and tools that Siemens Gamesa places at the disposal of its stakeholders and its management processes are reflected in the group's Code of Conduct, the Crime Prevention and Anti-Fraud Manual, as well as on the corporate website and the intranet.

Siemens Gamesa has a Whistleblowing Channel through which the company's employees can get in touch with the Ethics and Compliance Department to report activities that are unethical, lack integrity or go against the principles contained in the Code of Conduct.

- The company and, as appropriate, the parent companies of the group's business units (regional) have a Whistleblowing Channel that allows third parties and the group's professionals to report confidentially any conduct that could involve a breach of the Code of Conduct and crime prevention measures.
- On an exceptional basis, when the grievances have to do with workplace harassment in the workplace, they should be sent to the Human Resources Department, which holds responsibility for investigating and concluding such cases according to the Harassment Prevention Protocol.

By the end of the reporting period, the number of reported and confirmed compliance cases amounts to 28. The number of disciplinary sanctions put in place during the period amounts to 6.

## E.4 Fight against corruption

The Group ensures that its activities are based on the principle of respect for the law and the fight against corruption in all its forms, and work to establish the best guidelines to govern both the conduct of their people and the processes by defining working and decision making methods. In particular, it adopted a set of measures designed to prevent, detect and react to any offenses that might be committed, and to combat fraud:

- Article 3.8 in the group's Code of Conduct ensures that activities are based on the principle of respect for the law and the fight against corruption in all its forms and state their firm commitment to the Crime Prevention and Anti-Fraud Policy's principles, particularly by not performing any actions that may be deemed irregular in their relationships with customers, providers, suppliers, competitors, authorities, etc., including money laundering.
- The risk maps and crime controls for Spain, Italy, Mexico, China, India, the USA and Brazil were updated.
- The Crime Prevention and Anti-Fraud Manuals (which include corruption) were completed for the group's main Spanish and Italian subsidiaries.

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- The rule on the prevention of conflicts of interest, which implements Article 3.9 of the Code of Conduct on conflicts of interest, was updated.
- Contractual clauses which specifically govern the prohibition of corruption in all its forms have been included.
- According to the Contract Approval Procedure, certain agreements (like Consultancy Agreements) have to be approved or rejected by the Ethics and Compliance Department to ensure that certain contracts include mandatory anti-corruption clauses in keeping with the guidelines set by the company.
- The corruption inherent risk to the group's activities was analyzed and explained in all training actions carried out on the Code.

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## Annex

### Reconciliation of pro-forma information

Million Eur	1Q16 (Pro- forma)	2Q16 (Pro- forma)	3Q16 (Pro- forma)	4Q16 (Pro- forma)	FY16 (Pro- forma)	1Q17 (Pro- forma)	2Q17 (Pro- forma)	3Q17	4Q17	FY17 (Pro- forma)
Revenues	2,181	2,534	2,899	2,827	10,441	2,764	3,178	2,693	2,329	10,964
WTG	1,918	2,298	2,621	2,535	9,372	2,475	2,891	2,393	2,008	9,766
Services	263	236	278	292	1,069	289	287	300	321	1,198
Gamesa	971	1,064	1,127	1,147	4,310	1,273	1,546	na	na	na
Siemens Wind Power	1,197	1,460	1,722	1,597	5,976	1,384	1,516	na	na	na
Adwen	13	10	49	83	155	107	116	na	na	na
Underlying EBIT Pre-PPA	158	262	266	259	945	269	313	211	-19	774
Margin	7.2%	10.4%	9.2%	9.2%	9.1%	9.7%	9.9%	7.8%	-0.8%	7.1%
Gamesa	87	119	112	110	427	138	181	na	na	na
Siemens Wind Power	87	158	163	157	565	142	146	na	na	na
Adwen	-16	-14	-9	-7	-47	-11	-15	na	na	na



## Annex

### Alternative Performance Measures

Siemens Gamesa Renewable Energy ("SGRE") financial information contains magnitudes and measurements prepared in accordance with the applicable accounting standards and others referred to as Alternative Performance Measures (APM). The APM are considered to be "adjusted" magnitudes with respect to those presented in accordance with EU-IFRS and, consequently, the reader should view them as supplementary to, but not replacements for, the latter.

The APM are important for users of the financial information since they are the metrics used by SGRE's Management to assess financial performance, cash flows and the financial position for the purposes of the Group's financial, operational and strategic decisions.

The APM contained in SGRE's financial disclosures that cannot be directly reconciled with them are as follows:

#### 1. Net financial debt (NFD)

Net financial debt (NFD) is calculated as the sum of the company's bank borrowings less cash and cash equivalents.

Net Financial Debt is the main APM used by Siemens Gamesa Renewable Energy management to measure the Group's indebtedness and leverage.

Million Eur		
<i>Financial Statements line item</i>	Opening balance sheet 04.03.2017	09.30.2017
Cash and cash equivalents	3,041	1,659
Short-term debt and current maturities of long-term debt	(393)	(797)
Long-term debt	(660)	(485)
<b>Cash/(Net Financial Debt)</b>	<b>1,988</b>	<b>377</b>

#### 2. Working capital (WC)

Working Capital (WC) is calculated as the difference between current assets and current liabilities. Current assets and liabilities exclude all items classified as Net Financial Debt, such as Cash and cash equivalents.

Working Capital reflects the part of Capital Employed that is invested in net operating assets. Siemens Gamesa Renewable Energy management uses this metric in managing and making decisions with respect to the business's cash conversion cycle, particularly in managing inventory, trade accounts receivable and trade accounts payable. Effective management of working capital involves achieving an optimal amount of working capital without jeopardising the company's ability to honour its obligations in the short term.

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Million Eur			
<i>Financial Statements line item</i>	09.30.2016 (pro forma)	Opening Balance Sheet 04.03.2017	09.30.2017
Trade and other receivables	1,854	1,409	1,081
Trade receivables from related companies	1,082	2	62
Inventories	2,699	2,957	3,455
Other current assets	484	533	341
Trade payables	(2,765)	(2,601)	(2,232)
Trade payables to related companies	(610)	-	(364)
Other current liabilities	(2,124)	(2,893)	(2,645)
<b>Working Capital</b>	<b>621</b>	<b>(592)</b>	<b>(300)</b>

The comparable figures as of September 30, 2016 have been calculated on a pro forma basis, as if the merger transaction had already occurred as of September 30, 2016, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation follow:

Million Eur	09.30.2016 (Pro Forma)			
	Siemens Wind Power	Gamesa	Adwen	SGRE Pro Forma
<i>Financial Statements line item</i>				
Trade and other receivables	715	1,051	88	1,854
Trade receivables from related companies	791	292	-	1,082
Inventories	1,596	911	192	2,699
Other current assets	220	257	7	484
Trade payables	(799)	(1,821)	(145)	(2,765)
Trade payables to related companies	(315)	(294)	-	(610)
Other current liabilities	(1,962)	(157)	(6)	(2,124)
<b>Working Capital</b>	<b>245</b>	<b>239</b>	<b>137</b>	<b>621</b>

The **ratio of working capital to revenue** is calculated as working capital at any given date divided by the revenue in the twelve months prior to that date.

The **Working Capital consumption** is calculated as a difference between Working Capital as of the merger transaction date (April 3, 2017) and Working Capital as of September 30, 2017.

Million Eur	4Q17
<b>Working Capital @ April 3, 2017</b>	(592)
<b>Working Capital @September 30, 2017</b>	(300)
<b>Variation (consumption)</b>	<b>292</b>

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## 3. Capital Expenditure (Capex)

Capital Expenditure (capex) refers to investments made in the period in property, plant and equipment and intangible assets in order to generate future profits (and maintain the current capacity to generate profits, in the case of maintenance capex). This APM does not include the allocation of the purchase price (the PPA exercise) to property, plant and equipment and intangible assets that has been performed in context of the merger transaction of Siemens Wind Power and Gamesa (the business combination).

The amount of Capex is the following:

Million Eur		
	4Q16 (Pro forma)	4Q17
Acquisition of intangible assets	(33)	(12)
Acquisition of Property, Plant and Equipment	(157)	(95)
<b>CAPEX</b>	<b>(189)</b>	<b>(107)</b>

Million Eur - QTD		
	3Q16 (Pro forma)	3Q17
Acquisition of intangible assets	(35)	(59)
Acquisition of Property, Plant and Equipment	(91)	(131)
<b>CAPEX</b>	<b>(126)</b>	<b>(190)</b>

The comparable figures for the 4<sup>th</sup> Quarter of 2016 have been calculated on a pro forma basis, as if the merger transaction had already occurred before June 30, 2016, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation follow:

Million Eur	4Q16 (Pro Forma)			
	Siemens Wind Power	Gamesa	Adwen	SGRE Pro Forma
Acquisition of intangible assets	(4)	(17)	(12)	(33)
Acquisition of Property, Plant and Equipment	(109)	(45)	(2)	(157)
<b>CAPEX</b>	<b>(113)</b>	<b>(62)</b>	<b>(14)</b>	<b>(189)</b>

Million Eur	3Q16 (Pro Forma)			
	Siemens Wind Power	Gamesa	Adwen	SGRE Pro Forma
Acquisition of intangible assets	-	(22)	(13)	(35)
Acquisition of Property, Plant and Equipment	(47)	(31)	(13)	(91)
<b>CAPEX</b>	<b>(47)</b>	<b>(53)</b>	<b>(27)</b>	<b>(126)</b>

# MANAGEMENT REPORT

## 4. Definitions of cash flow

**Gross operating cash flow:** amount of cash generated by the company's ordinary operations, excluding working capital and capital expenditure (capex). SGRE includes the flow of net financial expenses under gross operating cash flow. Gross operating cash flow is obtained by adding, to reported income for the year, the ordinary non-cash items (depreciation and amortisation, and provision charges) and income from equity-accounted affiliates.

**Net operating cash flow:** the result of deducting working capital (defined in item 2) from gross operating cash flow. Gamesa includes the cash impact of other provisions and other non-operating items under operating cash flow.

**Free cash flow:** obtained by deducting capital expenditure (capex) from operating cash flow. It indicates the funds available for use to distribute dividends, buy back shares, pay down debt or other corporate activities not related to ordinary business.

Free cash flow is calculated as the variation in Net Financial Debt (NFD) between April 3, 2017 and September 30, 2017 (defined in item 1 above).

## 5. Average Selling Price (ASP)

Average monetary revenue collected by the Wind Turbine division per unit sold (measured in MWe). ASP is affected by a number of factors (project scope, geographical distribution, product, exchange rate, prices, etc.) and does not represent the level or trend of profitability.

The comparable figures for Quarters prior to the 3<sup>rd</sup> Quarter of 2017 have been calculated on a pro forma basis, as if the merger transaction had already occurred before April 1, 2016, including the full consolidation of Adwen, standalone savings and normalization adjustments. Further details of this pro forma calculation follow:

Million Eur	Pro Forma				3Q17	4Q17
	3Q16	4Q16	1Q17	2Q17		
<b>Group Sales</b>	<b>2,899</b>	<b>2,827</b>	<b>2,764</b>	<b>3,178</b>	<b>2,693</b>	<b>2,329</b>
WTG (1)	2,621	2,535	2,475	2,891	2,393	2,008
Onshore	1,860	1,718	1,812	2,181	1,363	1,207
Offshore	761	816	663	709	1,030	801
Services	278	292	289	287	300	321
<b>MWe WTG (2)</b>	<b>2,590</b>	<b>2,294</b>	<b>2,268</b>	<b>2,964</b>	<b>1,950</b>	<b>1,649</b>
<b>MWe Onshore</b>	<b>2,041</b>	<b>1,806</b>	<b>1,845</b>	<b>2,534</b>	<b>1,488</b>	<b>1,384</b>
<b>MWe Offshore</b>	<b>549</b>	<b>488</b>	<b>423</b>	<b>430</b>	<b>461</b>	<b>265</b>
<b>ASP Total(1/2)</b>	<b>1.01</b>	<b>1.10</b>	<b>1.09</b>	<b>0.98</b>	<b>1.23</b>	<b>1.22</b>

# MANAGEMENT REPORT

## 6. Revenues and EBIT

**Revenues LTM (Last Twelve Months):** this APM is calculated by aggregation of the quarterly revenues for the last four quarters.

The comparable figures for quarters prior to the 3<sup>rd</sup> Quarter of 2017 have been calculated on a pro forma basis, as if the merger transaction had already occurred before September 30, 2015, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation follow:

<i>Million Eur</i>	<b>FY 16 (Pro-forma)</b>	<b>1Q16 (Pro-forma)</b>	<b>2Q16 (Pro-forma)</b>	<b>3Q16 (Pro-forma)</b>	<b>4Q16 (Pro-forma)</b>
WTG	9,372	1,918	2,298	2,621	2,535
Services	1,069	263	236	278	292
<b>TOTAL</b>	<b>10,441</b>	<b>2,181</b>	<b>2,534</b>	<b>2,899</b>	<b>2,827</b>

<i>Million Eur</i>	<b>FY 17 (Pro-forma)</b>	<b>1Q17 (Pro-forma)</b>	<b>2Q17 (Pro-forma)</b>	<b>3Q17</b>	<b>4Q17</b>
WTG	9,766	2,475	2,891	2,393	2,008
Services	1,198	289	287	300	321
<b>TOTAL</b>	<b>10,964</b>	<b>2,764</b>	<b>3,178</b>	<b>2,693</b>	<b>2,329</b>

**EBIT (Earnings Before Interest and Taxes):** operating profit per the consolidated income statement. It is calculated as Income (loss) from continuing operations before income taxes, before 'Income (loss) from investments accounted for using the equity method', interest income and expenses and 'Other financial income (expenses), net'.

**Underlying EBIT (Earnings Before Interest and Taxes) pre-PPA:** EBIT excluding integration costs related to the merger transaction and the impact on amortization of intangibles' fair value from of the Purchase Price Allocation (PPA).

<b>Million Eur</b>		
	<b>4Q16 (Pro Forma)</b>	<b>4Q17</b>
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	246	(208)
(-) Income from investments acc. for using the equity method, net	4	(1)
(-) Interest income	(7)	(4)
(-) Interest expenses	17	16
(-) Other financial income (expenses), net	0	(1)
<b>Reported EBIT</b>	<b>259</b>	<b>(197)</b>
(-) Integration costs	-	67
(-) PPA impact	-	111
<b>Underlying EBIT pre-PPA</b>	<b>259</b>	<b>(19)</b>

# MANAGEMENT REPORT

The comparable figures for the 4<sup>th</sup> Quarter of 2016 have been calculated on a pro forma basis, as if the merger transaction had already occurred before June 30, 2016, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation follow:

Million Eur	4Q16 (Pro Forma)				
	Siemens Wind Power	Gam esa	Adw en	Pro forma adjustments	SGRE proforma
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	132	97	(10)	27	246
(-) Income from. investments acc. for using the equity method, net	1	3	-		4
(-) Interest income	(0)	(7)	(0)		(7)
(-) Interest expenses	2	13	3		17
(-) Other financial income (expenses), net	(4)	4	(0)		0
<b>Reported EBIT</b>	<b>130</b>	<b>110</b>	<b>(7)</b>	<b>27</b>	<b>259</b>
(-) Integration costs					-
(-) PPA impact					-
<b>Underlying EBIT pre-PPA</b>	<b>130</b>	<b>110</b>	<b>(7)</b>	<b>27</b>	<b>259</b>

**Reported/Underlying EBIT pre-PPA LTM:** this APM is calculated by aggregation of the quarterly Reported/Underlying EBIT for the last four quarters.

The comparable figures for quarters prior to the 4<sup>th</sup> Quarter of 2017 have been calculated on a pro forma basis, as if the merger transaction had already occurred before September 30, 2015, including the full consolidation of Adwen, standalone savings and normalization adjustments. The components of this pro forma calculation follow:

Million Eur	FY 16 (Pro-forma)	1Q16 (Pro-forma)	2Q16 (Pro-forma)	3Q16 (Pro-forma)	4Q16 (Pro-forma)
<b>Reported EBIT</b>	945	158	262	266	259
(-) Integration costs	-				
(-) PPA impact	-				
<b>Underlying EBIT pre PPA</b>	<b>945</b>	<b>158</b>	<b>262</b>	<b>266</b>	<b>259</b>

Million Eur	FY 17 (Pro-forma)	1Q17 (Pro-forma)	2Q17 (Pro-forma)	3Q17	4Q17
<b>Reported EBIT</b>	428	269	305	50	(197)
(-) Integration costs	111	-	8	36	67
(-) PPA impact	235	-	-	124	111
<b>Underlying EBIT pre PPA</b>	<b>774</b>	<b>269</b>	<b>313</b>	<b>211</b>	<b>(19)</b>

**EBIT margin:** ratio of reported EBIT to Revenue in the period (i.e. revenue in the consolidated profit and loss account).

**Underlying EBIT pre-PPA margin:** ratio of underlying EBIT to Revenue in the period (i.e. revenue in the consolidated profit and loss account).

# MANAGEMENT REPORT

## 7. Net income and Net income per share (EPS) – Reported and underlying

**Net income:** consolidated profit for the year attributable to the parent company.

**Underlying net income pre-PPA:** net profit excluding after tax impact of integration costs related to the merger transaction and the after tax impact on amortization of intangibles' fair value from the Purchase Price Allocation (PPA).

Million Eur		
	4Q17	H2 17
<b>Net Income</b>	<b>(147)</b>	<b>(135)</b>
(-) Integration costs	67	103
(-) PPA impact	111	235
(-) Tax effect of integration cost and PPA impact	(49)	(86)
<b>Underlying Net Income pre-PPA</b>	<b>(17)</b>	<b>118</b>

**Net income per share (EPS):** the result of dividing net profit by the average number of shares outstanding in the period (excluding treasury shares).

**Underlying net income pre-PPA per share:** the result of dividing underlying net profit by the average number of shares outstanding in the period (excluding treasury shares).

	4Q17	H217
Underlying Net Income (Million Eur)	(17)	118
Number of shares (units)	679,471,221	676,417,806
<b>Underlying Earnings pre-PPA Per Share (€/share)</b>	<b>(0.03)</b>	<b>0.17</b>

## 8. Other indicators

**MWe:** an indicator of activity (a physical unit of sale) used to measure wind turbine generator manufacture in terms of work in progress. The MWe indicator does not reflect post-manufacturing processes (civil engineering, installation, commissioning, etc.), which also generate monetary revenue.

**Cost of energy (LCOE/COE):** the cost of converting a source of energy, e.g. wind, into electricity, measured in monetary units per MWh. It is calculated taking account of all costs incurred during the asset's life cycle (including construction, finance, fuel, operation and maintenance, taxes and incentives), divided by the total output expected from the asset during its useful life.

**ANNUAL CORPORATE GOVERNANCE REPORT  
OF LISTED COMPANIES**

**IDENTIFYING DATA OF THE ISSUER**

END DATE OF THE REFERENCE YEAR: 09-30-2017

TAX ID NO. A01011253

Company Name:

SIEMENS GAMESA RENEWABLE ENERGY, S.A.

Business Address:

PARQUE TECNOLÓGICO DE BIZKAIA, EDIFICIO 222, 48170 ZAMUDIO (VIZCAYA)



**ANNUAL CORPORATE GOVERNANCE REPORT  
OF LISTED COMPANIES**

**A STRUCTURE OF THE PROPERTY**

A.1 Fill out the following table on the Company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
04-03-2017	115,794,374.94	681,143,382	681,143,382

Indicate whether or not there are different kinds of shares with different associated rights.

Yes  No

Type	Number of shares	Denomination per unit	Unitary number of voting rights	Different rights

A.2 Detailed information of the direct and indirect holders of significant shares, of their company at the year end date, excluding directors:

Shareholder's name or company name	Number of direct voting rights	Indirect voting rights		% of the total voting rights
		Direct shareholder	Number of voting rights	
SIEMENS AKTIENGESELLSCHAFT	205,178,132	SIEMENS BETEILIGUNGEN INLAND GMBH	196,696,463	59.00
IBERDROLA, S.A.		IBERDROLA PARTICIPACIONES, S.A. (SOCIEDAD UNIPERSONAL)	54,977,288	8.071

Indicate the most significant changes to the shareholder structure throughout the year:

Shareholder's name or company name	Operation date	Operation description
NORGES BANK	01/19/2017	Decreased its shareholding under 3% down to 2.992%
NORGES BANK	01/24/2017	Increased its shareholding more than 3% up to 3.087%
NORGES BANK	01/25/2017	Decreased its shareholding under 3% down to 2.866%

NORGES BANK	03/13/2017	Increased its shareholding more than 3% up to 3.128%
NORGES BANK	03/14/2017	Decreased its shareholding under 3% down to 2.631%
SIEMENS AKTIENGESELLSCHAFT	04/03/2017	Increased its shareholding more than 50% up to 59.00%

See note (A.2) in Section H of this report.

- A.3 Fill out the following tables on the members of the Company's Board of Directors who have rights to vote on the Company's shares:

Director's name or company name	Number of direct voting rights	Indirect voting rights		% of the total voting rights
		Direct shareholder	Number of voting rights	
Hernández García, Gloria	1,200		0	0.000 %
Rubio Reinoso, Sonsoles	1,030		0	0.000 %
Rodríguez-Quiroga Menéndez, Carlos	315		0	0.000 %
Cendoya Aranzamendi, Andoni	300		0	0.000 %
García García, Rosa María	0		0	0.000 %
Tacke, Markus	0		0	0.000 %
Davis, Lisa	0		0	0.000 %
Thomas, Ralf	0		0	0.000 %
Conrad, Swantje	0		0	0.000 %
Rosenfeld, Klaus	0		0	0.000 %
Von Schumann, Mariel	0		0	0.000 %
Sen, Michael	0		0	0.000 %

<b>Total % of voting rights in the power of the Board of Directors</b>	0.000 %
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Fill out the following tables on the members of the Company's Board of Directors who have rights over the Company's shares:

Director's name or company name	Number of direct rights	Indirect rights		Number of equivalent shares	% of the total voting rights
		Direct holder	Number of voting rights		

See note (A.3) in Section H of this report.

- A.4 Indicate, where relevant, family, commercial, contractual or corporate relationships between the significant shareholders, as the Company is aware of them, unless they are hardly relevant or derived from normal commercial traffic or activity:

Related name or company name	Type of relationship	Brief description

- A.5 Indicate, where relevant, family, commercial, contractual or corporate relationships between the significant shareholders and the Company and/or its group unless they are hardly relevant or derived from normal commercial traffic or activity:

Related name or company name	Type of relationship	Brief description
IBERDROLA, S.A. / Siemens Gamesa Renewable Energy Eolica, S.L.	CONTRACTUAL	SEE SECTION D.2.
SIEMENS AKTIENGESELLSCHAFT / Siemens Gamesa Renewable Energy A/S	CONTRACTUAL	SEE SECTION D.2.
SIEMENS AKTIENGESELLSCHAFT / Siemens Wind Power AB	CONTRACTUAL	SEE SECTION D.2.
SIEMENS AKTIENGESELLSCHAFT / Siemens Gamesa Renewable Energy Limited	CONTRACTUAL	SEE SECTION D.2.
SIEMENS AKTIENGESELLSCHAFT / Siemens Wind Power GmbH & Co. KG	CONTRACTUAL	SEE SECTION D.2.
SIEMENS AKTIENGESELLSCHAFT / Siemens Wind Power GmbH & Co. KG, Hamburg	CONTRACTUAL	SEE SECTION D.2.
SIEMENS AKTIENGESELLSCHAFT / Siemens Wind Power Inc.	CONTRACTUAL	SEE SECTION D.2.
SIEMENS AKTIENGESELLSCHAFT / Siemens Wind Power Limited, Oakville	CONTRACTUAL	SEE SECTION D.2.

SIEMENS AKTIENGESELLSCHAFT / Siemens Gamesa Renewable Energy d.o.o.	CONTRACTUAL	SEE SECTION D.2.
SIEMENS AKTIENGESELLSCHAFT / Siemens Gamesa Renewable Pty Ltd	CONTRACTUAL	SEE SECTION D.2.
SIEMENS AKTIENGESELLSCHAFT / Siemens Wind Power Blades (Shanghai) Co., Ltd.	CONTRACTUAL	SEE SECTION D.2.
SIEMENS AKTIENGESELLSCHAFT / Siemens Wind Power B.V.	CONTRACTUAL	SEE SECTION D.2.
SIEMENS AKTIENGESELLSCHAFT / Siemens Wind Power Blades, SARL AU	CONTRACTUAL	SEE SECTION D.2.

A.6 Indicate whether or not the Company has been notified of shareholders' agreements which affect it according to the provisions in Articles 530 and 531 of the Capital Companies Law. Where applicable, describe them briefly and list the shareholders bound by the agreement:

Yes

No

Members of the shareholder's agreement	% of affected share capital	Brief description of the agreement
IBERDROLA, S.A., IBERDROLA PARTICIPACIONES, S.A.(SOCIEDAD UNIPERSONAL) and SIEMENS AKTIENGESELLSCHAFT	67,071%	In fulfillment of article 531 of the restated text of the Capital Companies Law, approved by the Royal Legislative Decree 1/2010, of July 2 (the "Capital Companies Law"), IBERDROLA, S.A. ("IBERDROLA") informed Gamesa Corporación Tecnológica, S.A. ("GAMESA") on June 17, 2016 of the signature of a shareholders' agreement between IBERDROLA and Iberdrola Participaciones, S.A. (Sociedad Unipersonal), as shareholders (non-direct and direct, respectively) of GAMESA, on one hand, and Siemens Aktiengesellschaft ("SIEMENS AG"), on the other hand. The contract was signed in the context of the process of combination of the wind energy businesses of GAMESA and SIEMENS AG through the merger by absorption of Siemens Wind Holdco, S.L. (Sociedad Unipersonal) ("Siemens

		Wind Holdco”) by GAMESA (the “Merger”). This shareholders’ agreement governs, among other matters, the relationships of the parties as future shareholders of GAMESA after the Merger (the “Shareholders’ Agreement”). The Merger became finally effective on April 3, 2017.
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Indicate whether or not the Company is aware of the existence of shares agreed on between its shareholders. Where applicable, describe them briefly:

Yes

No X

Members of the agreed on share	% of affected share capital	Brief description of the agreement

If, throughout the year, there was an amendment to or termination of these agreements or agreed on shares, indicate this expressly:

- A.7 Indicate whether or not there is a natural or legal person who exercises or may exercise control over the Company according to Article 5 of the Securities Market Law. Where applicable, identify it:

Yes X

No

Name or company name
SIEMENS AKTIENGESELLSCHAFT

Observations
The significant shareholder SIEMENS AG owns 59% of the share capital of SIEMENS GAMESA RENEWABLE ENERGY, S.A. (“SIEMENS GAMESA” or the “Company”, and the group of companies of which Siemens Gamesa is the parent company, the “Siemens Gamesa Group” or simply the “Group”) and therefore can exercise control over it according to article 42 of the Commerce Code. The Company has five external proprietary directors representing SIEMENS AG in the Board of Directors.

- A.8 Fill out the following tables on the Company's treasury shares:

At the year end date:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
1,707,508	0	0.251

(\*) Using the:

Direct shareholder's name or company name	Number of direct shares
<b>Total:</b>	

Explain the significant variations, in accordance with the provisions in Royal Decree 1362/2007, occurring throughout the year:

Explain the significant variations
<p>Pursuant to article 40 of <i>Royal Decree 1362/2007 of 19 October, implementing the Spanish Securities Market Act (Law 24/1988 of 28 July), regarding the transparency requirements in relation to information about issuers whose securities are admitted to trading on an official secondary market or other regulated market in the European Union (the "Royal Decree 1362/2007")</i>, these issuers must inform the National Securities Market Commission (<i>Comisión Nacional del Mercado de Valores</i> or "CNMV") of the proportion of voting rights held when, from the last treasury stock acquisition announcement, they acquire their own shares amounting to at least 1% of the voting rights via either a single or successive transactions.</p> <p>In this regard, during the 2017 fiscal year SIEMENS GAMESA made four announcements of direct acquisitions of treasury stock, which three of them exceeded the 1% threshold of the voting rights since the previous similar announcement, and one of them was an update resulting from the change of the number of voting rights of the Company after the effectiveness of the capital increase derived from the Merger. The announcements made are detailed below:</p> <ul style="list-style-type: none"><li>• Announcement dated on January 13, 2017, with a total number of directly acquired shares of 2,858,279, representing a capital share of 1.02%.</li><li>• Announcement dated on March 7, 2017, with a total number of directly acquired shares of 2,835,806, representing a capital share of 1.02%.</li><li>• Announcement dated on April 19, 2017, with a total number of directly acquired shares of 1,482,733, representing a capital share of 0.22%.</li><li>• Announcement dated on August 24, 2017, with a total number of directly acquired shares of 6,857,220, representing a capital share of 1.01%.</li></ul>

See note (A.8) in Section H of this report.

- A.9 Provide detailed information on the terms and conditions and period of the current mandate from the Shareholders' Meeting to the Board of Directors to issue, repurchase or transfer own shares.

On this report's approval date, the authorization given by the Ordinary General Meeting of the Company's Shareholders held on May 8, 2015, under point nine of its agenda, by virtue of which the Board of Directors was authorized to acquire own shares. The content of the agreement adopted at the referred to Meeting in point nine of the agenda is transcribed below:

*“To expressly authorise the Board of Directors, with the express powers of substitution, as per the dispositions in article 146 of the Companies Law for the derivate acquisition of the Gamesa Corporación Tecnológica, Sociedad Anónima’s (“Gamesa” or the “Company”) own shares in the following terms:*

- a.- The acquisitions may be made by Gamesa or by any of its depending companies in the same terms of this agreement.*
- b.- The share acquisitions will be made through sales, swaption or any other legally permitted operations.*
- c.- The acquisitions may be made, at each time, up to the legally allowed maximum figure.*
- d.- The minimum share price will be their nominal value and the maximum will not be 110% above their market quotation value on the date of acquisition.*
- e.- The shares acquired may subsequently be transferred in freely decided conditions.*
- f.- The present authorisation is awarded for a maximum period of 5 years, expressly repealing the unused part of the authorisation awarded by the Company Shareholders’ Ordinary General Meeting held on May 28, 2010.*
- g.- The shareholders’ equity resulting from the acquisition of shares, including those that the Company or the person acting in their own name but for the account of the Company has previously acquired and holds as treasury shares, shall not be less than the amount of share capital plus the reserves that are restricted under the law or the By-Laws, all pursuant to the provisions of letter b) of section 146.1 of the Companies Law.*

*Lastly, and in relation to the dispositions in article 146.1.a) last paragraph of the Companies Law, it is stated that the shares that are acquired under the present authorisation, may be used by the Company for, amongst other purposes, giving to Company employees or administrators either directly or deriving from the exercise of option or other rights contemplated in incentive plans of which they are holders and/or beneficiaries as considered in the relevant legislation, statutes or regulations.”*

- A.9 bis Estimated free float:

	%
<b>Estimated free float</b>	32,678

A.10 Indicate whether or not there is a restriction on the transfer of securities and/or any restriction on the right to vote. Specifically, notify the existence of any other kind of restrictions which may make it hard to take control of the Company by acquiring its shares in the market.

Yes

No

Description of the restrictions

A.11 Indicate whether or not the general meeting has agreed on adopting neutralization measures regarding a public acquisition offer pursuant to the provisions in Law 6/2007.

Yes

No

Where applicable, explain the approved measures and the terms and conditions in which the restrictions will not be effective:

A.12 Indicate whether or not the Company has issued securities that are not traded in a regulated community market.

Yes

No

Where applicable, indicate the different kinds of shares and, for each kind of share, the conferred rights and obligations.



**B GENERAL MEETING**

B.1 Indicate and, where applicable, detail if there are differences between the minimum quorum given in the Capital Companies Law (LSC) regarding the quorum required to hold the general meeting.

Yes  No

	<b>% of quorum different from the provisions in Art. 193 LSC for general circumstances</b>	<b>% of quorum different from the provisions in Art. 194 LSC for special circumstances in Art. 194 LSC</b>
<b>Required quorum in the 1st call</b>		
<b>Required quorum in the 2nd call</b>		

<b>Description of the differences</b>

B.2 Indicate and, where applicable, detail if there are differences between the quorum given in the Capital Companies Law (LSC) for entering into social agreements:

Yes  No

Describe how it differs from the minimum quorum given in the LSC.

	<b>Enhanced majority different from the one established in Article 201.2 of the LSC for the circumstances in 194.1 of the LSC.</b>	<b>Other enhanced majority circumstances</b>
<b>% established by the entity for adopting agreements</b>		
<b>Describe the differences</b>		

- B.3 Indicate the standards applicable to amending the Company's bylaws. Specifically, the majorities laid down for amending the bylaws will be communicated as well as, where applicable, the set standards for enforcing the rights of partners when amending the bylaws.

The amendment of the Siemens Gamesa Bylaws is governed by: (i) articles 285 through 290 of the Capital Companies Law; (ii) the Company's own Bylaws; and (iii) the Shareholders' General Meeting Regulations.

Articles 14 h) of the Bylaws and 6.1 h) of the Shareholders' General Meeting Regulations state that this capacity pertains to the Siemens Gamesa's General Shareholders Meeting.

Articles 18 of the Bylaws and 26 of the Shareholders' General Meeting Regulations include the quorum requirements and articles 26 of the Bylaws and 32 of the Shareholders' General Meeting Regulations stipulate the majorities necessary for adopting decisions by the Shareholders' General Meeting. All mentioned articles refer to the legal provisions on these matters.

Article 31.4 of the Shareholders' General Meeting Regulations states that the Board of Directors, in accordance with the law, will submit proposals for different agreements regarding matters that are substantially independent, so the shareholders may separately exercise their voting rights. In the context of Bylaws' amendments, this rule implies that each article or group of articles which are substantially independent will constitute a separate proposal which will be individually submitted for approval.

Finally, in accordance with article 518 of the Capital Companies Law, with the notice convening the Shareholders' General Meeting which agenda contains a proposal to amend the Bylaws, the Company's website will post the complete text of the agreement proposals referring to such amendment, and the reports from the competent bodies in relation thereto.

- B.4 Indicate the data regarding attendance at the general meetings held throughout the year referred to in this report and those of the previous year:

General meeting date	Attendance data				
	% physical presence	% represented	% distance voting		Total
			Electronic vote	Others	
06-20-2017	9.42	75.46	0.00	0.00	84.88
10-25-2016	23.13	34.80	0.00	0.00	57.93
06-22-2016	24.41	34.83	0.00	0.00	59.24

See note (B.4) in Section H of this report.

B.5 Indicate if there is a restriction in the by-laws which establishes a minimum number of required shares to attend the general meeting:

Yes

No

<b>Number of required shares to attend the general meeting</b>	<b>1</b>
--	----------

B.6 Repealed paragraph.

B.7 Indicate the address and mode of access to the Company's website and to the information on corporate governance and other information on the general meetings which should be available to the shareholders through the company's website.

The Bylaws of SIEMENS GAMESA rule in its article 48 the Company's website according to the current legislation.

The Company's website holds all the mandatory information and content which must be published (directly accessible at <http://www.gamesacorp.com/en/investors-and-shareholders/>) according to the restated Text of the Law on the Securities Market, approved by Royal Legislative Decree 4/2015, of October 23, ("**Securities Market Act**"), by the Capital Companies Law and by the Order ECC/461/2013, dated March 20, by which the content and structure of the annual corporate governance report, the annual report on remunerations and other informative instruments of the listed companies, of savings accounts and other entities that issue securities traded in official securities markets are determined, and completed by Circular 3/2015, dated June 23, of the CNMV on the technical and legal specifications that the webpage of the issued companies and the saving accounts that issue securities admitted in the official secondary securities markets must include.

Regarding this mandatory content, the Company pursues to continuously improve its accessibility by the public, particularly the shareholders and investors, and is continuously updated in accordance with the applicable law.

Mandatory content can be accessed through the home page of the Company's website. Access is located on the top of the webpage, under the title "Shareholders and Investors", which contains a drop-down index with all the content that needs to be included on the listed companies' websites pursuant to the legislation mentioned above.

Moreover, such index is also available on the bottom of the home page of the website, being fully displayed, to that each item on the index can be directly clicked on.

In addition to the above, the Company's website contains other of information of interest for shareholders and investors and news referring to the Company's activity

See note (B.7) in Section H of this report.

**C THE COMPANY'S ADMINISTRATION STRUCTURE**

**C.1 Board of Directors**

C.1.1 Maximum and minimum number of directors established in the by-laws:

<b>Maximum number of directors</b>	15
<b>Minimum number of directors</b>	5

C.1.2 Fill out the table below with the board members:

<b>Director's name or company name</b>	<b>Representative</b>	<b>Directors's category</b>	<b>Position on the board</b>	<b>Date of first appointment</b>	<b>Date of last appointment</b>	<b>Election procedure</b>
García García, Rosa María		External Proprietary	Chairwoman	04-03-2017	04-03-2017	General Meeting
Tacke, Markus		Executive	Chief Executive Officer	05-08-2017	06-20-2017	General Meeting
Rodríguez-Quiroga Menéndez, Carlos		Executive	Director and Secretary	09-27-2001	06-20-2017	General Meeting
Davis, Lisa		External Proprietary	Director	04-03-2017	04-03-2017	General Meeting
Conrad, Swantje		Independent	Director	04-03-2017	04-03-2017	General Meeting
Rosenfeld, Klaus		Independent	Director	04-03-2017	04-03-2017	General Meeting
Rubio Reinoso, Sonsoles		External Proprietary	Director	12-15-2011	06-22-2016	General Meeting
Thomas, Ralf		External Proprietary	Director	04-03-2017	04-03-2017	General Meeting
Von Schumann, Mariel		External Proprietary	Director	04-03-2017	04-03-2017	General Meeting
Hernández García, Gloria		Independent	Director	05-12-2015	05-12-2015	General Meeting
Cendoya Aranzamendi, Andoni		Independent	Director	05-12-2015	05-12-2015	General Meeting
Sen, Michael		External Proprietary	Director	05-10-2017	06-20-2017	General Meeting

<b>Total number of directors</b>	12
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Indicate any resignations in the Board of Directors during the period subject to information:

<b>Director's name or company name</b>	<b>Condition of the director at the time of resignation</b>	<b>Leave date</b>
Villalba Sánchez, Francisco Javier	External Proprietary	03-29-2017
Arregui Ciarsolo, Juan Luis	Independent	04-03-2017
Vázquez Egusquiza, José María	Independent	04-03-2017
Lada Díaz, Luis	Independent	04-03-2017
Aracama Yoldi, José María	Independent	04-03-2017

Aldecoa Sagastasoloa, José María	Independent	04-03-2017
Codes Calatrava, Gerardo	External Proprietary	04-03-2017
Martin San Vicente, Ignacio	Executive	05-08-2017
Helmrich, Klaus	External Proprietary	05-08-2017
Cortés Dominguez, Luis Javier	Independent	08-30-2017

See note (C.1.2) in Section H of this report.

C.1.3 Fill out the following tables on the board members and their different conditions:

#### **EXECUTIVE DIRECTORS**

<b>Director's name or company name</b>	<b>Position in the company's organizational chart</b>
Tacke, Markus	CEO
Rodríguez-Quiroga Menéndez, Carlos	Director-Secretary of the Board of Directors and Legal Counsel

<b>Total number of executive directors</b>	2
<b>% of the total of the board</b>	16,67

#### **EXTERNAL PROPRIETARY DIRECTORS**

<b>Director's name or company name</b>	<b>Name or company name of the significant shareholder acting as representative or who approved his/her appointment</b>
Rubio Reinoso, Sonsoles	IBERDROLA, S.A.
García García, Rosa María	SIEMENS AKTIENGESELLSCHAFT
Davis, Lisa	SIEMENS AKTIENGESELLSCHAFT
Von Schumann, Mariel	SIEMENS AKTIENGESELLSCHAFT
Thomas, Ralf	SIEMENS AKTIENGESELLSCHAFT
Sen, Michael	SIEMENS AKTIENGESELLSCHAFT

<b>Total number of proprietary directors</b>	6
<b>% of the total of the board</b>	50

## INDEPENDENT EXTERNAL DIRECTORS

Director's name or company name	Profile
Conrad, Swantje	<p>Born in Stuttgart (Germany), she holds the position of Member of the Board of Directors, of the Audit, Compliance and Related Party Transactions Committee and of the Appointments and Remunerations Committee of SIEMENS GAMESA RENEWABLE ENERGY, S.A.</p> <p>Dual degree in Business Administration and in Industrial Engineering from the University of Karlsruhe (Germany) and Master in International Business Studies from the University of South Carolina (USA) as a fellow of the D.A.A.D. (German Academic Exchange Service).</p> <p>She has extensive experience in the financial and banking sectors, as she worked for more than 25 years at J.P. Morgan in Germany, the United Kingdom and the United States of America, in the areas of corporate finance, mergers and acquisitions, capital markets and institutional asset servicing. Likewise, she has a wide experience as a highly ranked equity research analyst and specialist sales leading the pan-European diversified industrials, automotive and aerospace team.</p> <p>She is also a Non-Executive Director and Member of the Audit and Nomination Committees of the F&amp;C Private Equity Investment Trust plc (Edinburgh) and a trustee and member of the Finance Sub-Committee at the not-for-profit Whitechapel Gallery (London).</p>
Rosenfeld, Klaus	<p>Born in Bonn (Germany), he holds the position of Member of the Board of Directors and of the Appointments and Remuneration Committee of SIEMENS GAMESA RENEWABLE ENERGY, S.A.</p> <p>After an apprenticeship at Dresdner Bank and his military service he graduated in Business Administration from the University of Münster (Germany).</p> <p>Currently, he is the CEO of Schaeffler AG, a leading automotive and industrial supplier, a position he was appointed to in June 2014.</p> <p>He started his professional career in 1993 holding several positions in the Investment Banking Division in Dresdner Bank AG. In 2002 he became member of the Board of Directors, being responsible for Finance and Controlling, Compliance and Corporate investments Dresdner Bank AG.</p>

	<p>He joined the Schaeffler AG in March 2009 as Chief Financial Officer. During this period he led the corporate and financial restructuring of the group, after the takeover bid for Continental AG, and led, in 2012, Schaeffler AG's access to the debt markets and its IPO in October 2015.</p> <p>He is also a member of the management and supervisory bodies of various industrial companies. In particular, he is a member of the Supervisory Board and the Audit Committee of Continental AG, in Hanover (Germany), and the Board of Directors of Schaeffler India Ltd., in Mumbai (India). He is also a member of the Executive Committee of the Federation of German Industries (BDI) in Berlin.</p>
<p>Hernández García, Gloria</p>	<p>Born in Madrid, she holds the position of Member of the Board of Directors and Chairwoman of the Audit, Compliance and Related Party Transactions Committee of SIEMENS GAMESA RENEWABLE ENERGY, S.A.</p> <p>She studied at the Complutense University of Madrid, where she obtained a degree in Economic Sciences with a specialty in Economic Theory.</p> <p>She is currently the General Director of Finance and Capital Markets of Bankinter, S.A., manager of the treasury of the company, of balance sheet risk management, of solvency and calculation, and of the management of the resources of the Bankinter Group, as well as responsible for the budget control and the efficiency, the investors relations, accountancy policies and the financial control, the accounts and the financial information of the Bankinter group and the coordination of the relationship of the entity with the ECB.</p> <p>She is member of the Management Committee of Bankinter, S.A., Director as representative of Bankinter in Linea Directa Aseguradora, S.A., Bankinter Consumer Finance and Bankinter Global Services.</p> <p>Before joining Bankinter, S.A., she served for over seven years as the Financial Director of Banco Pastor, S.A.</p> <p>Doña Gloria Hernández García is Commercial Technician and State Economist on personal leave, and as such she worked until 2003 in different public posts connected to the Directorate General of the Treasury and Financial Policy, where she also held the position of General Manager of the Treasury. She also was <i>nata</i> Director of the CNMV and the Bank of Spain.</p>

	At last, she has had significant international experience by being, among others, a representative member of Spain on Committees of the European Union and Director of the subsidiary of Bankinter in Luxembourg.
Cendoya Aranzamendi, Andoni	<p>Born in in Deba (Gipuzkoa), he holds the position of Member of the Board of Directors and Chairman of the Appointments and Remunerations Committee of SIEMENS GAMESA RENEWABLE ENERGY, S.A.</p> <p>He holds a Master's in Electrical Engineering from the Escuela de Armería in Eibar, and a Master's in Human Resources from CEREM.</p> <p>Andoni Cendoya Aranzamendi has broad experience in the industrial sector, having undertaken the majority of his career in a leading group of the aeronautical sector (the ITP Group). He also adds to his sectoral knowledge with experience in other sectors, with his role in the negotiation of restructuring the naval sector and the renewal of the bank agreement being particularly outstanding.</p> <p>He has experience in the senior management of international companies, acquired during his time as the Executive Director of Human Resources of the ITP Group, where he was also a member of the Management Committee of the Group. He also has experience in the management of international companies, as he was part of the management team of ITP's subsidiaries in England and Mexico. Specifically, he started up the operations of the latter.</p>

<b>Total number of independent directors</b>	4
<b>Total % of the board</b>	33,33

Indicate if any director qualified as independent receives from the Company, or from its same Group, any amount or benefit for an item other than remuneration as director or maintains or has maintained, throughout the past year, a business relationship with the Company or any other company of its Group, whether in his/her name or as a significant shareholder, director or senior manager of an entity which maintains or would have maintained this relationship.

Where applicable, a reasoned statement from the Board on the reasons why it considers this director can perform its duties as an independent director shall be included.

<b>Director's name or company name</b>	<b>Relationship description</b>	<b>Reasoned statement</b>



## OTHER EXTERNAL DIRECTORS

Other external directors will be identified and the reasons because they cannot be considered external proprietaries or independents and its entails, with the company, its managers, or its shareholders, will be detailed:

Director's name or company name	Reasons	Company, manager or shareholder with whom the entail is maintained

<b>Total number of other external directors</b>	0
<b>Total % of the board</b>	0

Indicate the variations which, where applicable, have occurred during the period in each director category:

Director's name or company name	Date of the change	Previous category	Current category

See note (C.1.3) in Section H of this report.

C.1.4 Fill out the following table with the information related to the number of female board members at the closing of the last 4 years, as well as the category of each one:

	Number of female board members				% of the total directors of each category			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
<b>Executive</b>	0	0	0	0	0%	0%	0%	0%
<b>Proprietary</b>	4	1	2	1	66.67%	33.33%	66.67%	50%
<b>Independent</b>	2	1	1	0	50%	14.29%	14.29%	0%
<b>Other External</b>	0	0	0	0	0%	0%	0%	0%
<b>Total:</b>	6	2	3	1	50%	16.67%	25%	10%

C.1.5 Explain the measures that, where applicable, were adopted to include a number of women on the Board of Directors which permits reaching a balanced presence of men and women.

<b>Explanation of the measures</b>
In the procedures for the appointment of new directors, the Appointments and Remunerations Committee actively seeks, either directly or with external advice from outsourced companies, to include female candidates pursuant to the guidelines included in the "Policy on selecting Directors" approved by the Board of Directors on 23 September 2015.

Article 7.5 of the Regulations of the Appointments and Remunerations Committee contemplates that the duties of the Committee include to “*set a representation target for the gender that is least represented on the Board of Directors and prepare guidelines on how to achieve it*”.

In this regard, section 4 of the Director Selection Policy refers to the requirements that the candidates must meet to be appointed as a director. This section includes the “Diversity principle” which establishes that the procedures for the appointment of directors must be free from any implicit bias that might imply any discrimination or prevent the selection of female directors. Additionally, it includes the objective that female directors represent, in 2020, at least 30 % of the Board of Directors.

This objective matches Recommendation 14 of the Code of good governance for listed entities approved by the CNMV on 18 February 2015 (the “Good Governance Code”).

During the 2017 fiscal year, four female were appointed as members of the Board of Directors after the effectiveness of the Merger, once the public deed of Merger between GAMESA and SIEMENS WIND HOLDCO was registered with the Biscay Commercial Registry. The appointments took place on the Extraordinary Shareholders’ General Meeting held on October 25, 2016 but their effectiveness, as aforementioned, was conditional to the registration of the Merger. These four new directors were:

- Ms. Rosa María García García, as non-executive proprietary director.
- Ms. Mariel von Schumann, as non-executive proprietary director.
- Ms. Lisa Davis, as non-executive proprietary director.
- Ms. Swantje Conrad, as non-executive independent director.

After the effectiveness of these appointments and taking into account the corporate governance issues included in the Shareholders’ Agreement (see section A.6), the post-Merger Board of Directors was made up of 46% of women but it shall be pointed out that at September 30, 2017 a vacancy existed in the Board of Directors (which was fulfilled on October 20, 2017 with the appointment by cooption of Mr. Alberto Alonso), so that the percentage rises to 50% of women. Anyway both percentages surpass, three years in advance, the 30% target.

See note (C.1.5) in Section H of this report

C.1.6 Explain the measures that, where applicable, the Appointment Committee agreed on so the selection procedures do not suffer from any implicit discriminatory bias which interfere with selecting female directors, and that the Company deliberately seeks and includes among the potential candidates, women who meet the sought after professional profile:

<b>Explanation of the measures</b>
<p>The Appointments and Remunerations Committee, in application of article 14 of the Regulations of the Board of Directors, has established that director selection criteria shall entail recognized reputation/credibility, solvency, competence and experience, procuring that female candidates meeting this profile are selected in this selection process.</p> <p>Article 7.4 of the Regulations of the Appointments and Remunerations Committee stipulates also a further duty of the Committee, namely to <i>“ensure that the selection procedures are not implicitly biased so as to imply discrimination”</i>.</p> <p>Section 4 c) of the “Policy on selecting Directors” likewise states that <i>“the selection of directors must be safeguarded from any implicit bias that could entail discrimination of any sort and, in particular, interfere in the selection of female directors”</i>.</p>

When, despite the measures adopted, where applicable, the number of female board members is little or null, explain the reasons which justify this:

<b>Explanation of the reasons</b>
N/A

C.1.6 bis Explain the conclusions of the Appointments Committee regarding the verification of compliance with the director selection policy. And, in particular, how this policy is promoting attainment of the target to have the number of female directors represent at least 30% of the total members of the board of directors by the year 2020.

The Appointments and Remunerations Committee arrived at the following conclusions in 2017 insofar as verification of compliance with the Director Selection Policy:

- During the 2017 fiscal year, the Company met that stipulated in the law, the Siemens Gamesa Corporate Governance Standards and the recommendations of the *Code of Good Governance* in its selection processes and appointment of directors.

- Specifically, the Appointments and Remunerations Committee expressly verified that the selection of candidates for director and their subsequent appointment as members of the Board of Directors during the 2017 fiscal year was made in accordance with that stipulated in the "Director Selection Policy," approved by the Board of Directors during its session on September 23, 2015.
- With respect to gender diversity in the composition of the Board of Directors, Siemens Gamesa currently exceeds the aim of having the presence of at least 30% women in 2020, established in the *Policy*. To this respect, on the date of this report, the Company has 6 women on its Board of Directors, representing 46% of its members, calculated on 13 members although at September 30, 2017 a vacancy pending to be fulfilled existed.
- The Company commits to continue improving the application of the criteria, principles and standards of good governance applicable when selecting directors and will promote these selection processes having independent profiles, with international, specialized and trustworthy professional experience in the business areas of Siemens Gamesa.

C.1.7 Explain the form of representation on the Board of shareholders with significant shareholdings.

Shareholders holding significant stock are represented on the Board of Directors as Non-Executive Proprietary Directors. According to article 11 of the Regulations of the Board of Directors of SIEMENS GAMESA, directors are categorized into "(a) Executive Directors; and (b) Non-executive Directors. Non-executive Directors may also be Independent, Proprietary or other External Directors.

*The status of each Director will be determined in accordance with legal provisions and must be explained by the Board of Directors before the General Shareholders' Meeting that will carry out or approve their appointment and confirm or, where applicable, revise it annually in the Annual Corporate Governance Report after being verified by the Appointments and Remunerations Committee."*

Moreover, it should be mentioned that article 9.4 of the Regulations of the Board of Directors states that "*the Board of Directors shall attempt to include Proprietary and Independent Directors in the majority group of Non-executive Directors, maintaining a balance regarding the complexity of the Group, the ownership structure of the Company, the absolute and relative importance of significant shares, as well as the degree of continuity, commitment and strategic links with the owners of these stocks with the Company."*

Further, article 13.4 of the cited Regulations establishes that "*the provisions in this chapter will be understood notwithstanding the complete freedom of the General Shareholders' Meeting to make decisions on the appointment of Directors."*

Currently, the Board of Directors of Siemens Gamesa is integrated by the following external proprietary directors:

- Ms. Sonsoles Rubio Reinoso, appointed on December 14, 2011 by motion of Iberdrola and last re-elected at the General Shareholder Meeting on June 22, 2016.
- Ms. Rosa María García García, appointed at the Extraordinary Shareholders' General Meeting on October 25, 2016 by motion of Siemens AG and her appointment became effective on April 3, 2017.
- Ms. Lisa Davis, appointed at the Extraordinary Shareholders' General Meeting on October 25, 2016 by motion of Siemens AG and her appointment became effective on April 3, 2017.
- Mr. Ralf Thomas, appointed at the Extraordinary Shareholders' General Meeting on October 25, 2016 by motion of Siemens AG and his appointment became effective on April 3, 2017.
- Ms. Mariel von Schumann, appointed at the Extraordinary Shareholders' General Meeting on October 25, 2016 by motion of Siemens AG and her appointment became effective on April 3, 2017.
- Mr. Michael Sen, appointed by cooption by the Board of Directors on May 8, 2017 by motion of Siemens AG as substitute of Mr. Klaus Helmrich and last re-elected at the Shareholders' General Meeting on June 20, 2017.

See note (C.1.7) in Section H of this report.

C.1.8 Explain, where applicable, the reasons for which the proprietary directors were appointed by the motion of shareholders whose shares are less than 3% of the capital:

Shareholder's name or company name	Reason

Indicate whether or not formal requests for presence on the Board from shareholders whose shares are equal to or greater than that of others whose motion would have designated proprietary directors were taken into account. Where applicable, explain the reasons why they were not taken into account:

Yes

No

Shareholder's name or company name	Explanation

C.1.9 Indicate if any director has resigned from his/her position before the end of his/her term, if said director explained his/her reasons and how, to the Board of Directors, and, if done in writing, at least explain the reasons given below:

<b>Director name</b>	<b>Reason for resignation</b>
Villalba Sánchez, Francisco Javier	Personal reasons
Arregui Ciarsolo, Juan Luis	Fulfillment of the merger agreement and common terms of the Merger (between GAMESA and SIEMENS WIND POWER)
Vázquez Egusquiza, José María	Fulfillment of the merger agreement and common terms of the Merger (between GAMESA and SIEMENS WIND POWER)
Lada Díaz, Luis	Fulfillment of the merger agreement and common terms of the Merger (between GAMESA and SIEMENS WIND POWER)
Aracama Yoldi, José María	Fulfillment of the merger agreement and common terms of the Merger (between GAMESA and SIEMENS WIND POWER)
Aldecoa Sagastasoloa, José María	Fulfillment of the merger agreement and common terms of the Merger (between GAMESA and SIEMENS WIND POWER)
Codes Calatrava, Gerardo	Fulfillment of the merger agreement and common terms of the Merger (between GAMESA and SIEMENS WIND POWER)
Martín San Vicente, Ignacio	Personal reasons
Helmrich, Klaus	Personal reasons
Cortés Domínguez, Luis Javier	Personal reasons

C.1.10 Indicate, if they exist, the powers delegated to him/her or the executive director/s:

<b>Director's name or company name</b>	<b>Brief description</b>
Tacke, Markus	The Board of Directors of SIEMENS GAMESA, in its meeting held on June 20, 2017, unanimously agreed, following a favorable report from the Appointments and Remunerations Committee, to re-elect Mr. Markus Tacke as CEO of the Company delegating in his favor all powers which, according to the law and the By-laws correspond to the Board of Directors, except those which cannot be delegated pursuant the law and the By-laws, an appointment which was accepted by Mr. Tacke in the same act.

C.1.11 Identify, where applicable, the board members who assume positions as administrators or managers in other companies which are part of the listed company's group:

<b>Director's name or company name</b>	<b>Company name of the entity in the group</b>	<b>Position</b>	<b>Has executive functions?</b>
Tacke, Markus	Siemens Gamesa Renewable Energy A/S	Member of the Board of Directors	No

See note (C.1.11) in Section H of this report.

C.1.12 Detail, where applicable, the directors of its company which are members of the Board of Directors of other listed entities in official security markets different from its group, which the Company has been notified of:

<b>Director's name or company name</b>	<b>Company name of the listed entity</b>	<b>Position</b>
Rosenfeld, Klaus	Schaeffler AG	CEO (Chief Executive Officer)
	Continental AG	Member of the Supervisory Board and of its Audit Committee
	Schaeffler India Ltd	Member of the Board of Directors
Conrad, Swantje	F&C PRIVATE EQUITY INVESTMENT TRUST	Member of the Board of Directors

See note (C.1.12) in Section H of this report.

C.1.13 Indicate and, where applicable, explain whether or not the Board of Directors' Regulations has established rules on the maximum number of companies' boards its directors may be a part of:

Yes

No

Explanation of the rules
<p>Article 10 of the Board of Director's Regulations establishes rules on the maximum number of companies' boards its directors may be a part of:</p> <p style="text-align: center;"><b>Article 10. Incompatibilities for becoming a Director</b></p> <p style="text-align: center;"><i>The following individuals cannot be Directors or, where applicable, natural person representatives of a Legal Entity Director:</i></p> <p style="text-align: center;">(...)</p> <p style="text-align: center;"><i>b) Any individual acting in the position of administrator of three or more companies whose shares are traded in domestic or foreign securities markets.</i></p> <p style="text-align: center;">(...)"</p>

C.1.14 Repealed paragraph.

C.1.15 Indicate the overall remuneration of the Board of Directors:

<b>Remuneration of the Board of Directors (thousands of euros)</b>	8,161
<b>Amount of the rights accumulated by the current directors regarding pensions (thousands of euros)</b>	0
<b>Amount of the rights accumulated by the former directors regarding pensions (thousands of euros)</b>	0

See note (C.1.15) in Section H of this report.



C.1.16 Identify the members of Senior Management who are not also executive directors, and indicate the total accrued remuneration in their favor throughout the year:

<b>Name or company name</b>	<b>Position(s)</b>
Chocarro Melgosa, Ricardo	Onshore CEO
Hannibal, Michael	Offshore CEO
Albenze, Mark	Service CEO
Cortajarena Manchado, José Antonio	General Secretary
Hall, Andrew	Chief Financial Officer
Mesonero Molina, David	Corporate Development, Strategy and Integration Managing Director
Zarza Yabar, Félix	Internal Audit Director

<b>Total remuneration for Senior Management (in thousands of euros)</b>	10,215
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See note (C.1.16) in Section H of this report.

C.1.17 Indicate, where applicable, the identity of the board members which, at the same time, are members of the Board of Directors of other significant shareholder companies and/or entities of its group:

<b>Name or company name of the board member</b>	<b>Significant shareholder's name</b>	<b>Post</b>
García García, Rosa María	SIEMENS AKTIENGESELLSCHAFT	Chairwoman and CEO of SIEMENS, S.A.
	SIEMENS AKTIENGESELLSCHAFT	Chairwoman of SIEMENS HOLDINGS, S.L.U.
Davis, Lisa	SIEMENS AKTIENGESELLSCHAFT	Member of the Managing Board
Thomas, Ralf	SIEMENS AKTIENGESELLSCHAFT	Member of the Managing Board
Sen, Michael	SIEMENS AKTIENGESELLSCHAFT	Member of the Managing Board

Detail, where relevant, the relevant relationships different from those in the previous paragraph, of the members of the Board of Directors which relate them to other significant shareholders and/or in entities of its group:

<b>Related board member's name or company name</b>	<b>Related significant shareholder's name or company name</b>	<b>Relationship description</b>
Rubio Reinoso, Sonsoles	IBERDROLA, S.A.	Internal Audit Director
Von Schumann, Mariel	SIEMENS AKTIENGESELLSCHAFT	Chief of Staff and Head of the Governance & Markets Department
Thomas, Ralf	SIEMENS AKTIENGESELLSCHAFT	CFO

See note (C.1.17) in Section H of this report.

C.1.18 Indicate if any amendment was made to the Board's regulations during the year:

Yes

No

<b>Amendment description</b>
<p>The Board of Directors approved the amendment to the Regulations of the Board of Directors during its session held on April 4, 2017.</p> <p>This amendment of the Regulations of the Board of Directors was carried out to adapt it to the new content of article 529 quaterdecies of the Capital Companies Law regarding the composition of the Audit, Compliance and Related Party Transactions Committee, which shall have a majority of independent directors, and to adapt it to the new name of that Committee including the "related party transactions" in it.</p>

See note (C.1.18) in Section H of this report.

C.1.19 Indicate the selection, appointment, re-election, evaluation and resignation of board members procedures. Detail the competent bodies, processes to be followed and the criteria to be used in each procedure.

Selection and appointment procedure:

Article 30 of the SIEMENS GAMESA's Bylaws states that the members of the Board of Directors are "appointed or approved by the Shareholders' General Meeting" with the provision that "if there are openings during the period for which Directors were appointed, the Board of Directors can appoint individuals to occupy them until the first Shareholders' General Meeting is held", always in accordance with the provisions contained in the applicable Capital Companies Law and Company's Bylaws.

Moreover, in accordance with article 13.2 of the Regulations of the Board of Directors, *“the proposals for appointing Directors submitted by the Board of Directors for consideration by the General Shareholders' Meeting and the appointment decisions adopted using the co-option procedure must be preceded by: (a) for Independent Directors, a proposal from the Appointments and Remuneration Committee; and (b) in other cases, a report from the aforementioned committee.”* In this regard, article 13.3 of the cited regulations states that *“when the Board of Directors declines the proposal or the report from the Appointments and Remuneration Committee mentioned in the above section, it must justify doing so and include a record of it in the minutes.”*

Further, article 13.4 of the cited Regulations states that *“the provisions in this chapter will be understood notwithstanding the complete freedom of the General Shareholders' Meeting to make decisions on the appointment of Directors.”*

Finally, article 14 of the cited Regulations states that *“the Board of Directors and the Appointments and Remuneration Committee shall make an effort, within the sphere of their competencies, to ensure that the proposal and election of candidates falls on individuals of renowned reputation, credibility, solvency, competence and experience”* adding that for *“Legal Entity Director, the natural person representing it in the performance of the duties related to the position will be subject to the conditions included in the previous paragraph.”*

#### Re-election procedure:

Article 15 of the Regulations of the Board of Directors states that the *“proposals for re-election of Directors submitted by the Board of Directors to the General Shareholders' Meeting must be accompanied by the corresponding explanatory report in the terms set forth by the law. The resolution of the Board of Directors to submit the re-election of Independent Directors to the General Shareholders' Meeting must be adopted upon proposal of the Appointments and Remuneration Committee, while the re-election of other Directors must have a prior favorable report from this committee.”*

In this regard, section 2 of the cited article adds that directors that are part of the Appointments and Remuneration Committee must abstain from taking part in the deliberations and votes that affect them.

Finally, section 3 states that *“the re-election of a Director who is part of a committee or who holds an internal position on the Board of Directors or one of its committees will determine his/her continuity in this position without requiring express re-election and notwithstanding the power of revocation which corresponds to the Board of Directors.”*

#### Assessment procedure:

Article 25.8 of the Regulations of the Board of Directors addresses the director assessment procedure, establishing that *“the Board of Directors shall evaluate at least once a year: (a) the quality and effectiveness of its operation; (b) the performance of duties of the Chairman of the Board of Directors, and if applicable, of the CEO and Coordinating Director, based on the report submitted to the Appointments and Remuneration Committee; and (c) the operation of the committees based on the reports they submit to the Board of Directors.”*

Removal procedure:

In keeping with Company Bylaws, directors shall serve in their position for a period of four years, so long as the General Shareholders Meeting does not agree on their removal and they do not resign from their position.

Article 16 of the Regulations of the Board of Directors states that “*directors will be removed from their position once the term for which they were appointed has passed, notwithstanding the possibility of being re-elected, and whenever the General Shareholders' Meeting decides to do so as proposed by the Board of Directors or the shareholders, in the terms set forth by law.*”

The removal processes and criteria shall follow the relevant provisions in the Capital Companies Law and Royal Decree 1784/1996 of 19 July, which approved the Mercantile Registry Regulation.

Finally, section 2 of article 16 of the Regulations of the Board of Directors contemplates the circumstances in which directors must place their position at the disposal of the Board of Directors and formalize their resignation, should the Board find it appropriate, subject to a report from the Appointments and Remunerations Committee.

- C.1.20 Explain to which extent the annual evaluation of the Board resulted in important changes in its internal organization and the procedures applicable to its activities:

<b>Amendment description</b>
SIEMENS GAMESA has counted on the support of external advisors for the assessment of the administration bodies in 2017, resulting in no changes in the internal organization and in the procedures applicable to its activities.

- C.1.20.bis Describe the assessment process and areas assessed by the board of directors with the assistance, where pertinent, of an external consultant, regarding the diversity in the composition, capacities and operations thereof; composition of the board's committees; performance of the chairman of the board of directors and chief executive officer of the company; and the performance and contribution of each director.

The assessments conducted during 2017, as well as in the three previous years were carried out with the support of external consultants (in this fiscal year, Lupicinio International Law Firm e Informa Consulting). The assessment process was carried out through work sessions led by the Chairwoman of the Board of Directors and the Chairmen of the Audit, Compliance and related Party Transactions Committee and of the Appointments and Remuneration Committee, assistance from the internal areas responsible for the corporate governance of the Company, the review of minutes and internal Company's documentation, and, finally, through a comparative analysis with the best practices and reference and comparable companies. Likewise the Practical Guide of the Board of Directors elaborated by the *Instituto of Consejeros-Administradores* and the Technical Guide 3/2017 about the Audit Committees of the public interest entities elaborated by the CNMV were also taken as reference.

The areas assessed for the Board of Directors and Committees were the composition, operation, implementation of capacities, discharge of duties, and the relationship with other bodies. Regarding the individual assessments of each director their role's profile, implementation of capacities and discharge of duties has been evaluated. In this fiscal year no assessment regarding the Chairwoman and the CEO has been carried out due to the short period of time in which they have been developing their functions.

C.1.20.ter Provide a breakdown, if necessary, of the business relationships that the consultant or any company of the consultant's group maintains with the company or any company of its group.

N/A

C.1.21 Indicate the circumstances in which directors are required to resign.

As established in Article 16.2 of the Board of Director's Regulations, *“directors or the natural person representing a Legal Entity Director must offer their resignation to the Board of Directors and formalize it, if the Board sees fit, subject to a report provided by the Appointments and Remuneration Committee in the following cases:*

- a) *Concerning Proprietary Directors, whenever these or the shareholder they represent cease to be the owners of significant stocks in the Company, as well as when such shareholders revoke representation.*
- b) *Concerning Executive Directors, when they are removed from the executive positions associated with their appointment as Director and, in all cases, whenever the Board of Directors considers it necessary.*
- c) *Concerning Non-executive Directors, when they join the management of the Company or of any of the companies in the Group.*
- d) *When, due to circumstances beyond their control, they are involved in cases of incompatibility or prohibition as set forth by law or the Corporate Governance Standards.*
- e) *Whenever they are brought to trial for a supposedly criminal act or a court ruling is passed against them to open a trial for any of the offenses set forth in the provisions of the Capital Company Act related to the prohibitions on being an administrator, or whenever they are involved in a sanction for a serious or very serious offense brought by supervisory authorities.*
- f) *Whenever they are issued a serious warning by the Board of Directors or are sanctioned for a serious or very serious offense by a public authority for having breached their duties as Directors in the Company.*
- g) *Whenever their continuity on the Board of Directors could put the Company's interests at risk, or whenever the reasons for their appointment have ceased to exist.*
- h) *When, due to acts attributable to the Director acting in his/her capacity as such, cause significant damage to the Company's assets, or the reputation of the Company, or result in the loss of the business and professional reputation and credibility required for being a Director of the Company.”*

See note (C.1.21) in Section H of this report.

C.1.22 Repealed paragraph.

C.1.23 Are enforced majorities other than the legal majorities required in certain kinds of decisions?

Yes

No

Where applicable, describe the differences.

Description of the differences
<p>The Regulations of the Board of Directors (article 4.4) requires of at least two-thirds of the directors attending the meeting to pass amendment thereof (save for modifications imposed by mandatory standards, in which case a simple majority will be required to adopt the resolution).</p> <p>Article 18.3 of the Regulations of the Board of Directors stipulates that in case the position of Chairperson of the Board of Directors is held by an Executive Director, "removal from the position of this director will require the absolute majority of the members of the Board of Directors."</p> <p>In addition, article 29.8 of the cited Regulations states that the formalization of the contract establishing the remuneration and further terms and conditions of Executive Directors for the performance of management duties, must be approved by the Board of Directors with at least a favorable vote of two-thirds of its members.</p>

C.1.24 Explain if there are specific requirements, other than those regarding directors, to be appointed chairman of the Board of Directors.

Yes

No

Description of the requirements

C.1.25 Indicate if the chairman has a casting vote:

Yes

No

Matters in which there is a casting vote
<p>Article 32.4 of the Bylaws and article 28.2 of the Board of Director's Regulations establishes that <i>"in the event of a tie, the Chairman will have the casting vote."</i></p>

C.1.26 Indicate if the by-laws or the Board of Director's Regulations establish a limit for the age of directors:

Yes

No

Chairman age limit

CEO age limit  Director age limit

C.1.27 Indicate if the by-laws or the Board's Regulations establish a limited term for independent directors, other than that established in the legislation:

Yes

No

<b>Maximum number of term years</b>	
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C.1.28 Indicate if the bylaws or regulations of the board of directors establish specific standards for awarding a proxy vote on the board of directors, how to do so and, specifically, the maximum number of awarded proxy votes a director can have, as well as whether there is any limitation insofar as the categories that can be delegated in addition to the limitations imposed by legislation. Where applicable, detail these standards briefly.

Article 25.3 of the Regulations of the Board of Directors states that *“the Directors must attend the meetings that are held. However, Directors may cast their vote in writing or delegate in writing their representation to another Director, specifically for each meeting, and the number of representations that each Director can receive is not limited. Non-executive Directors may only delegate representation to another Non-executive Director.”*

For the purposes of delegating votes, each time a meeting of the Board of Directors is convened, the specific proxy award model for that meeting is made available to the directors so that they can confer their representation and, where applicable, voting instructions if deemed necessary by the represented director are included. All aforementioned in compliance with article 32.2 of the By-laws of SIEMENS GAMESA which states that *“any Director may cast his/her vote in writing or confer his/her representation to another Director, specifically for each meeting. Non-executive Directors may only do so to another Non-executive Director.”*

C.1.29 Indicate the number of meetings held by the Board of Directors throughout the year. Also indicate, where applicable, the times the board has met without the attendance of its chairman. Representations made with specific instructions shall be considered attendances in the calculation.

<b>Number of board meetings</b>	14
<b>Number of board meetings without attendance of the chairman</b>	0

If the chairman is executive director, indicate the number of meetings held, without the attendance or representation of any executive director and chaired by the lead independent director.

<b>Number of meetings</b>	0
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Indicate the number of meetings held by the different board committees throughout the year:

<b>Number of meetings of the Audit, Compliance and Committee</b>	14
<b>Number of meetings of the Appointment and Remunerations Committee</b>	6

See note (C.1.29) in Section H of this report.

C.1.30 Indicate the number of meetings held by the Board of Directors throughout the year which all of its members attended. Representations made with specific instructions shall be considered attendances in the calculation:

<b>Number of meetings with the attendance of all directors</b>	10
<b>% of attendances of the total votes throughout the year</b>	94,94%

See note (C.1.30) in Section H of this report.

C.1.31 Indicate if the individual and consolidated annual financial statements presented to the Board for their approval are previously certified:

**Yes**  **No**

Identify, where applicable, the person/people who certified the company's individual and consolidated annual financial statements for them to be drawn up by the Board:

<b>Name</b>	<b>Position</b>
Tacke, Markus	Chief Executive Officer
Hall, Andrew	Chief Financial Officer
Spannring, Thomas	Head of Accounting, Reporting and Controlling

C.1.32 Explain, if there were any, the mechanisms put in place by the Board of Directors to keep its drawn up individual and consolidated financial statements from being presented in the General Meeting with exceptions in the audit report.

Article 6, the Audit, Compliance and Related Party Transactions Committee Regulations attributes the Audit, Compliance and Related Party Transactions Committee, among others, the following competencies in relation to the account auditing:

*“d) Serve as a channel of communication between the Board of Directors and the auditor, ensuring that the Board of Directors holds an annual meeting with the auditor to be informed on the work carried out, the evolution of the accounting position and the risks.*



e) *Request from the auditor on a regular basis information about the audit plan and its implementation and any other matters related to the audit process, as well as all other communications provided for in the current audit legislation.*

f) *Assess the results of each audit and the management team's response to its recommendations.*

g) *Review the content of audit reports before they are issued and, where applicable, the content of limited review reports on interim statements, ensuring that said content and the opinions expressed therein regarding the annual financial statements are drafted by the auditor clearly, precisely and without limitations or exceptions and, should any exist, explaining them to the shareholders.”*

Article 8 of the Audit, Compliance and Related Party Transactions Committee Regulations shall also be pointed out, which details the following main functions of the aforementioned Committee in relation to the process of preparing the economic-financial information:

*“a) Oversee the preparation, presentation and integrity of economic and financial information relating to the Company and its consolidated Group, as well as the correct delimitation of the latter, and raise the recommendations or proposals to the Board of Directors that may deem convenient in this sense.*

*b) With regard to economic and financial information that the Company must periodically and mandatorily provide for the markets and their supervisory bodies: (i) review said information to ensure that it is accurate, sufficient and clear; and (ii) inform the Board of Directors before it adopts the corresponding agreement.*

*c) Verify that all periodic economic and financial information is formulated under the same accounting criteria as the annual financial information and, for this purpose and where appropriate, propose to the Board of Directors that the auditor perform a limited review thereof.*

*d) Oversee compliance with legal requirements and the correct application of generally accepted accounting principles, and inform the Board of any significant changes in accounting criteria.”*

One of the main objectives of the reports from the Audit, Compliance and related Party Transactions Committee, is to highlight those aspects which may be considered, where applicable, exceptions in the audit report of SIEMENS GAMESA and its Group, formulating, where applicable, the appropriate recommendations to prevent them. These reports are submitted to the entire Board of Directors for its consideration, prior to approval of the financial information.

It should also be noted that the External Auditor has appeared before the Audit, Compliance and Related Party Transactions Committee on several occasions throughout the fiscal year which ended September 30, 2017:

- appearance on January 31, 2017 regarding the acquisition by Gamesa of an additional 50% of Adwen.
- appearance on February 21, 2017 regarding drawing up the annual financial statements which refer to the year that ended on December 31, 2016.
- appearance on May 18, 2017 regarding the recommendations to improve the system for internal control over financial information.

- appearance on July 25, 2017 regarding the limited review of interim consolidated financial statements on June 30, 2017.
- appearance on September 11, 2017 regarding the fees for non-audit services rendered.
- appearance on September 11, 2017 regarding the limited review of interim consolidated financial statements on June 30, 2017.

C.1.33 Is the Board secretary a director?

Yes

No

If the secretary is not a member of the Board fill in the following box:

Name or company name of the secretary	Representative

See note (C.1.33) in Section H of this report.

C.1.34 Repealed paragraph.

C.1.35 Indicate, if there were any, the concrete mechanisms put in place by the Company to preserve the independence of external auditors, financial analysts, the investment banks and rating agencies.

Article 6 c) of the Audit, Compliance and Related Party Transactions Committee regulates the function of the aforementioned Committee regarding the independence of the external auditors establishing the following main functions:

*“c) Ensure the independence of auditors. For such purposes:*

*i. It shall establish appropriate relations with the auditor in order to receive information on any matters that could jeopardize the latter's independence.*

*ii. It shall ensure that the Company, its Group and the auditor comply with the legal provisions established to assure their independence, as well as those expressly provided for in the Company's Corporate Governance Standards.*

*iii. It shall receive annually from the auditors written confirmation of its independence (both of the audit firm as a whole and the individual members of the work team) from the Company and its Group, as well as detailed and individualized information on additional services of any kind rendered by the auditor (or its connected entities) to the Company or any company of its Group, and the corresponding fees accrued, in accordance with current auditing legislation.*

*iv. It shall issue an annual report, which it shall submit to the Board of Directors, prior to the issue of the audit report, expressing an opinion on the independence of the auditors. In particular, the report shall refer to services other than those of auditing which the auditor, or any company of its group, has rendered to the Company or its Group, providing an individual and joint assessment thereof.*

*The report shall also deliver an opinion on compliance with the rules laid down by law and the Company's Corporate Governance Standards to guarantee the independence of auditors.*

*v. It shall authorize services other than those of auditing to be rendered by the auditor, insofar as the rendering of such services is permitted by law and the Company's Corporate Governance Standards.*

*vi. In the event of resignation of an auditor, the Committee shall examine the reasons behind this."*

Regarding information provided to the financial analysts and investment banks, the results presentation and other relevant documents which the Company sends, is received by these entities simultaneously after it has been sent to the CNMV.

Specifically, in compliance with the Recommendation from the CNMV dated December 22, 2005, regarding informative meetings with analysts, institutional investors and other professionals, SIEMENS GAMESA announces the meetings with analysts and investors with a prior notice of at least seven workdays, indicating the expected date and time of the meeting, as well as, where appropriate, the technical means (teleconference, webcast) through which any interested party may follow it live.

The supporting documentation for the meeting is made available through the Company's website ([www.gamesacorp.com](http://www.gamesacorp.com)) a few minutes before it starts.

Also, a direct Spanish/English translation service is made available to the participants.

Finally, the recording of the meeting is made available to the investors on the Company's website ([www.gamesacorp.com](http://www.gamesacorp.com)) for one month.

Likewise, *road shows* are held regularly in the most relevant countries and banking centers where individual meetings are held with all market agents. Their independence is protected by the existence of a specific representative dedicated to their service, which ensures objective, equal and non-discriminatory treatment.

At last it shall be pointed out that on September 23, 2015, the Board of Directors approved a "Policy on communications and contact with shareholders, institutional investors and voting advisors" that establishes the appropriate principles and measures that shall govern the management and supervision of the information disclosed to shareholders and the markets and the relationships with the shareholders, institutional investors and proxy advisors, with the aim of protecting the exercise of the Company's rights when it comes to the defense of its corporate interest.

See note (C.1.35) in Section H of this report.

C.1.36 Indicate if the Company has changed external auditors during the year. Where appropriate, identify the outgoing and incoming auditor:

Yes

No

Outgoing auditor	Incoming auditor

Explain the content of disagreements with the outgoing auditor if there were any:

Yes

No

Explanation of the disagreements

C.1.37 Indicate if the auditing firm carries out other tasks for the Company and/or its Group not related to auditing and in that case, declare the amount of fees received for these tasks and the percentage imposed on the fees billed to the Company and/or its Group:

Yes

No

	Company	Group	Total
<b>Amount for other tasks not related to auditing (thousands of euros)</b>	0	11	11
<b>Amount for tasks not related to auditing / Total amount billed by the auditing firm (in %)</b>	0%	0.18%	0.18%

See note (C.1.37) in Section H of this report.

C.1.38 Indicate if the report on the previous year's annual financial statements audit contains reservations or exceptions. Where appropriate, indicate the reasons given by the Audit Committee Chairman to explain the content and scope of these reservations or exceptions.

Yes

No

Explanation of the reasons

C.1.39 Indicate the number of years which the current auditing firm has carried out the audit of the Company's and/ or its Group's annual financial statements without interruption. Likewise, indicate the percentage which represents the number of years audited by the current auditing firm over the total number of years in which the annual financial statements have been audited

	Company	Group
<b>Number of uninterrupted years</b>	4	4

	Company	Group

<b>No. of years audited by the current auditing firm / No. of years that the company has been audited (in %)</b>	14.81%	14.81%
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C.1.40 Indicate and, where appropriate detail, if there is a procedure so the directors may count on having external advice:

Yes

No

<b>Detail of the procedure</b>
<p>Article 36 of the Regulations of the Board of Directors establishes that <i>“the Board of Directors may request the aid of legal, accounting and financial experts, as well as the other external experts at the Company’s expense, when it is deemed necessary or beneficial for the performance of its competencies. 2. Non-executive Directors, in order to be aided in the performance of their duties, may also request contracting external experts at the Company’s expense. 3. The contracting request must be drawn up by the Chairman.”</i></p> <p>Similarly, article 31 of the Regulations of the Audit, Compliance and Related Party Transactions Committee establishes that <i>“in order to be aided in the performance of their duties, the Committee may request the engagement of legal, accounting and financial consultants, as well as the aid of other experts at the Company’s expense.”</i></p> <p>Article 23 of the Appointments and Remunerations Committee Regulations also contemplates that <i>“in order to be aided in the performance of their duties, the Committee may request the engagement of legal consultants or other experts.”</i></p>

C.1.41 Indicate and, where appropriate detail, if there is a procedure so the directors may count on having the necessary information for preparing the meetings of the administrative bodies with enough time:

Yes

No

<b>Detail of the procedure</b>
<p>Article 26.3 of the Regulations of the Board of Directors regulates the procedure for convening the meetings of the cited body, indicating that <i>“ordinary meetings shall be convened by any written means that ensures correct receipt, and shall be authorized by the signature of the Chairman or the Secretary by order of the Chairman. The call to convene shall be a least three days in advance, will always include the meeting agenda and will be accompanied by the relevant information for the meeting. The Board of Directors may not make a decision if such information has not been made available to the Directors with the aforementioned three days advance notice. Directors may exceptionally adopt a decision even if the information was not made available within the aforementioned period if they consider it beneficial and no director opposes it.”</i></p> <p>Likewise, article 30.2 a) of the Regulations of the Board of Directors establishes that directors are required to <i>“inform themselves and prepare</i></p>

*themselves diligently for the meetings of the Board of Directors and the committees of which they are members.”*

Additionally, article 34 of the Regulations of the Board of Directors states that *“Directors have the right to request and the duty to demand from the Company the necessary and appropriate information for correct the performance of their duties. The right of information is also extended to the companies of the Group in the terms set forth by the law and the Corporate Governance Standards. 2. The exercise of the information powers will be channeled through the Chairman, the CEO or the Secretary of the Board of Directors.”*

C.1.42 Indicate and, where appropriate detail, if the Company has established rules that require directors to inform and, where appropriate, resign in circumstances which may affect the company's credibility/standing and reputation:

Yes

No

**Explain the rules**

As indicated in previous Section C.1.21, article 16 of the Regulations of the Board of Directors establishes the circumstances in which directors shall place their position at the disposal of the Board of Directors and formalize their resignation if the Board finds it appropriate.

This includes situations which may negatively affect the Company's credibility/standing and reputation.

Specifically, the directors must proceed as indicated:

- a) *“When, due to circumstances beyond their control, they are involved in cases of incompatibility or prohibition as set forth by law or the Corporate Governance Standards.”* (article 16.2.d).
- b) *“Whenever they are brought to trial for a supposedly criminal act or a court ruling is passed against them to open a trial for any of the offenses set forth in the provisions of the Capital Company Act related to the prohibitions on being an administrator, or whenever they are involved in a sanction for a serious or very serious offense brought by supervisory authorities.”* (article 16.2.e).
- c) *“Whenever they are issued a serious warning by the Board of Directors or are sanctioned for a serious or very serious offense by a public authority for having breached their duties as Directors in the Company.”* (article 16.2.f).
- d) *“Whenever their continuity on the Board of Directors could put the Company's interests at risk, (...)”* (article 16.2.g).
- e) *“When, due to acts attributable to the Director acting in his/her capacity as such, cause significant damage to the Company's assets, or the reputation of the Company, or result in the loss of the business and professional reputation and credibility required for being a Director of the Company.”* (article 16.2.h).

Article 35.2 d) of the Regulations of the Board of Directors states that the director must inform the Company of "any legal, administrative or any other type of proceedings that are filed against the Director, and which, due to their significance or characteristics, may negatively affect the reputation of the Company. Particularly, Directors must inform the Company, through the Chairman, if he/she is processed or a court ruling is passed against him/her regarding the opening of trial for any of the offenses set forth in Article 213 of the Capital Company Act. In this case, the Board of Directors will examine the case as soon as possible, and make the decisions it considers the most appropriate regarding the interests of the Company."

C.1.43 Indicate if any member of the Board of Directors has informed the Company that he or she has been involved in judicial proceedings or a court ruling has been passed against him/her for the opening of trial for any of the offenses mentioned in Article 213 of the Capital Companies Law:

Yes

No

Director name	Criminal case	Observations

Indicate if the Board of Directors has analyzed the case. If the response is yes, reasonably explain the decision made on whether or not the director continues in his/her position or, where appropriate, state the actions taken by the Board of Directors to the date of this report or that are planned.

Yes

No

Decision made/action taken	Reasonable explanation

C.1.44 Detail the significant agreements the Company has entered into which enter into force, whether amended or terminated if the Company's control is changed due to a public acquisition bid, and its effects.

In conformity with the framework agreement dated December 21, 2011 (significant event 155308) between IBERDROLA, S.A. and the subsidiary of GAMESA CORPORACIÓN TECNOLÓGICA, S.A., GAMESA EÓLICA, S.L Sole Shareholder Company, the supposed change of control in GAMESA CORPORACIÓN TECNOLÓGICA, S.A. will permit IBERDROLA, S.A. to terminate the framework agreement, and neither party may make any claims subsequently.

On December 17, 2015, Gamesa Energía, S.A.U. (buyer) and GESTIÓN, ELABORACIÓN DE MANUALES INDUSTRIALES INGENIERÍA Y SERVICIOS COMPLEMENTARIOS, S.L., INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U., CAF POWER & AUTOMATION, S.L.U. y FUNDACIÓN TECNALIA RESEARCH & INNOVATION (seller) signed a purchase-sale

agreement for the shares. On the same date, to oversee the relationship between Gamesa Energía, S.A. Unipersonal and INVERSIONES EN CONCESIONES FERROVIARIAS, S.A.U. (ICF), as future NEM partners (where applicable), the parties signed the Partners' Agreement. By virtue of the terms established in the abovementioned agreement, should control over SIEMENS GAMESA RENEWABLE ENERGY, S.A. (former GAMESA CORPORACIÓN TECNOLÓGICA, S.A.) subsequently take place, Gamesa Energía, S.A.U. must offer the remaining partners direct acquisition of its NEM shares.

On June 17, 2016, effective April 3, 2017, Siemens Gamesa Renewable Energy, S.A. (then "Gamesa Corporación Tecnológica, S.A.") and SIEMENS AKTIENGESELLSCHAFT (Siemens) signed a strategic alliance agreement, featuring a strategic supply contract by virtue of which Siemens became the strategic supplier of gears, segments, and other products and services offered by the Siemens Group to Siemens Gamesa. The abovementioned alliance will continue in force during the period during which Siemens: (a) directly or indirectly holds 50.01% of Siemens Gamesa Renewable Energy, S.A.'s share capital, or (b) holds representative shares of at least 40% of share capital, as long as it holds the majority of Board of Director voting rights, with no shareholders which individually or jointly hold less than 15% of share capital. Therefore, in cases of change of control, the parties are entitled to terminate the strategic alliance, although its minimum duration in any case would be three (3) years (i.e., until April 3, 2020).

On March 31, 2017, Siemens Gamesa Renewable Energy, S.A. (at that time, "Gamesa Corporación Tecnológica, S.A."), and SIEMENS AKTIENGESELLSCHAFT (Siemens) entered into a licensing agreement by virtue of which Siemens Gamesa is entitled to use the Siemens brand in its company name, corporate brand, and product brands and names. The abovementioned alliance will continue in force during the period during which Siemens: (a) directly or indirectly holds 50.01% of Siemens Gamesa Renewable Energy, S.A.'s share capital, or (b) holds representative shares of at least 40% of share capital, as long as it holds the majority of Board of Director voting rights, with no shareholders which individually or jointly hold less than 15% of share capital. Therefore, a change of control might lead to termination of the licensing agreement.

By virtue of certain agreements reached as a result of the merger between Siemens Gamesa Renewable Energy, S.A. and Siemens Wind HoldCo, S.L. (sole shareholder company), the Siemens Group will have and grant certain guarantees with regard to the joint venture. The above agreements may be terminated and their applicable terms granted may be amended should a change of control take place.

Finally, as is customary for large electricity supply infrastructure projects, there are contracts with clients which regulate a supposed change in control, thereby providing each reciprocal power to terminate them should such a situation arise, especially in cases in which the new controlling party is the other party's competitor.

See note (C.1.44) in Section H of this report.



C.1.45 Identify in an aggregated manner and indicate, in a detailed manner, the agreements between the companies and its administrative and management positions or employees which have severance pay, guarantee or redundancy clauses when they resign or are fired unjustly or if the contractual relationship ends due to a public acquisition bid or other kind of operations.

<b>Number of beneficiaries</b>	131
<b><u>Type of beneficiary</u></b>	<b><u>Description of the agreement</u></b>
CEO, Top Management and Managers	<p><b>CEO (1 agreement):</b> The CEO, as executive director and in accordance with the “Policy of remunerations of the members of the Board of Directors” approved by the Shareholders’ General Meeting on June 20, 2017, has a one year fixed salary severance pay.</p> <p><b>Top Management (5 agreements):</b> The policy currently applied by the Company to the Top Management recognizes the right to receive a severance pay equal to one year of remuneration in case of non-voluntary labor termination, but not applying in case of decease, retirement, disability or serious breach of his functions.</p> <p>However, some members of the Top Management whose relationship with the Company is prior to the implementation of the current policy have a recognized severance pay of different amount regarding the specific post of each beneficiary, which varies between 12 and 18 months of the fixed remuneration and the last annual variable remuneration received. The cited severance pay operates mainly in cases of termination for a cause not attributable to the beneficiary and, in some cases, also if a change of control of the Company occurs.</p> <p>In certain cases the severance pay is established with respect to the legal rights foreseen in the labor regulation if these were more beneficial.</p> <p><b>Employees (125 agreements):</b> On the other hand, the Company has severance payment clauses for a unfair dismissal with some employees and its amounts are calculated in</p>

	relation to the remuneration and professional conditions of each of them. A lot of these agreements have been agreed in jurisdictions where this severance pay is a common labor market practice. These contracts are not approved by the Board of Directors unlike the contract of the CEO and those of the Top Management.
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Indicate if these contracts must be communicated and/or approved by the bodies of the Company or of its Group:

	<b>Board of Directors</b>	<b>General Meeting</b>
<b>Body which authorizes the clauses</b>	X	

	<b>YES</b>	<b>NO</b>
<b>Is the Board informed of the clauses at the General Meeting?</b>	X	

See note (C.1.45) in Section H of this report.

## C.2 Committees of the Board of Directors

C.2.1 Detail all committees of the Board of Directors, their members and the proportion of executive, proprietary, independent and other external directors on them:

### AUDIT, COMPLIANCE AND RELATED PARTY TRANSACTIONS COMMITTEE

Name	Position	Category
Hernández García, Gloria	Chairwoman	Independent External
Conrad, Swantje	Member	Independent External

<b>% of executive directors</b>	0%
<b>% of proprietary directors</b>	0%
<b>% of independent directors</b>	100%
<b>% of other external directors</b>	0%

Explain the duties attributed to this committee, describing committee procedures and rules of organization and operations; and summarize the most significant engagements carried out during the year.

#### Functions:

SIEMENS GAMESA's Audit, Compliance and Related Party Transactions Committee is a permanent internal body of the Board of Directors for information and consultation, entrusted with informing, advising and making recommendations.

Articles 5 through 12 in chapter II of the Regulations of the Audit, Compliance and Related Party Transactions Committee establish the duties of this Committee. The full text of the Company's internal rules and regulations are available at [www.gamesacorp.com](http://www.gamesacorp.com)

The duties of the Audit, Compliance and Related Party Transactions Committee primarily refer to the oversight of the Company's internal audit, at the review of the internal control systems for drawing up economic and financial information, auditing accounts and compliance in the terms established in its regulations.

#### Organization:

- a) It will comprise at least three (3) and at most (5) non-executive directors, with a majority of independent directors, appointed for a maximum term of four (4) years by the Board of Directors, as proposed by the Appointments and Remunerations Committee. On September 30, 2017 there was a vacancy in the Committee and the information on the third member is included in Section H (C.2.1).
- b) The Board will procure that at least one of the appointed independent directors has knowledge and experience in accounting, auditing or both.

- c) The Committee shall appoint a Chairperson among its independent directors for a maximum term of four (4) years, after which he or she may not be re-elected as Chairperson until one year has elapsed since the conclusion of said term. A Secretary shall also be appointed, though this officer does not need to be a director.
- d) Members shall no longer hold their office: a) when they cease to be non-executive directors of the Company; b) when independent directors lose that category, if that means the number of independent directors in the Committee is less than two; and c) when agreed on by the Board of Directors.
- e) Directors sitting on the Committee who are re-elected as Directors of the Company shall continue to hold their positions within the Committee unless the Board of Directors resolves otherwise.

Operation:

- a) It shall meet as often as necessary to perform its duties, at the Chairperson's behest. Meetings shall also be held whenever two of the members so request it.
- b) It shall be validly constituted when more than half of its members are present or represented at the meeting.
- c) Agreements shall be adopted by the absolute majority of members present at the meeting.
- d) When the issues to be dealt with during the Committee meetings directly affect some of its members or individuals related thereto and, in general, when this member enters into a conflict of interest, he or she must leave the meeting until the decision is made, being removed from the number of members of the Committee in order to calculate the quorum and majorities related to the item in question.

Most significant actions:

Articles 5 through 12 of the Regulations of the Audit, Compliance and Related Party Transactions Committee and article 529 quaterdecies of the Capital Companies Law limit the duties of the Audit and Compliance Committee. During 2017, the Audit, Compliance and Related Party Committee was informed of all the matters within its capacity and, in this context, has satisfactorily fulfilled the duties assigned thereto by law, Bylaws, Regulations of the Board of Directors and the own Committee's organizational and operating regulations.

Identify the director member of the Audit Committee that has been appointed taking into account his/her knowledge and experience in accountancy, auditing or in both and inform about the number of years that the Chairman of this Committee is in his/her post.

<b>Name of the director with experience</b>	Gloria Hernández García
<b>Number of years of the chairman in the post</b>	Since May 27, 2015

## APPOINTMENTS AND REMUNERATIONS COMMITTEE

Name	Position	Category
Cendoya Aranzamendi, Andoni	Chairman	Independent External
Conrad, Swantje	Member	Independent External
Davis, Lisa	Member	Proprietary External
Rosenfeld, Klaus	Member	Independent External
Rubio Reinoso, Sonsoles	Member	Proprietary External

<b>% of executive directors</b>	0%
<b>% of proprietary directors</b>	40%
<b>% of independent directors</b>	60%
<b>% of other external directors</b>	0%

Explain the duties attributed to this committee, describing committee procedures and rules of organization and operations; and summarize the most significant engagements carried out during the year.

Functions:

This Committee is an internal body of the Board of Directors for information and consultation, albeit with no executive functions, entrusted with informing, advising and making recommendations regarding matters within its capacities.

Articles 5 through 8 in chapter II of the *Regulations of the Appointments and Remunerations Committee* establish the duties of this Committee. In particular, its primary functions are to oversee the composition and functioning, as well as the remuneration, of the Company's Board of Directors and of the Senior Management.

The full text of the Company's internal rules and regulations are available at [www.gamesacorp.com](http://www.gamesacorp.com)

Organization:

- a) It will comprise at least three (3) and at most (5) non-executive directors, with at least two of them being independent directors, appointed for a maximum term of four (4) years by the Board of Directors, as proposed or with prior report of by the Appointments and Remunerations Committee.
- b) A Chairperson shall be appointed among the independent directors for a maximum term of four (4) years, after which he or she may not be re-elected as Chairperson until one year has elapsed since conclusion of said term. A Secretary shall also be appointed, though this officer does not need to be a Director.
- c) Members shall no longer hold their office: a) when they cease to be non-executive directors of the Company; b) when independent directors lose that category, if this means the number of independent directors within the Committee is less than two; and c) when agreed on by the Board of Directors.

- d) Directors sitting on the Committee who are re-elected as Directors of the Company shall continue to hold their positions within the Committee unless the Board of Directors resolves otherwise.

Operation:

- a) It shall meet as often as necessary to perform its duties, at the Chairperson's behest. Meetings shall also be held whenever two of the members so request.
- b) It shall be validly constituted when more than half of its members are present or represented at the meeting.
- c) Agreements shall be adopted by the absolute majority of members present at the meeting.
- d) When the issues to be dealt with during the Committee meetings directly affect some of its members or individuals related thereto and, in general, when this member enters into a conflict of interest, he or she must leave the meeting until the decision is made, being removed from the number of members of the Committee in order to calculate the quorum and majorities related to the item in question.

Most significant actions:

During 2017 the Appointment and Remunerations Committee (and previously to the Merger both the Appointments Committee and the Remunerations Committee) was informed of all the matters inside its capacity and, in this context, satisfactorily fulfilled the duties assigned thereto by law, Bylaws, Regulations of the Board of Directors and the own Committee's organizational and operating regulations.

See note (C.2.1) in Section H of this report.

C.2.2 Fill out the following table with the information related to the number of female board members on the Board of Directors' committees over the closing of the last four years:

	Number of female board members							
	Year t		Year t-1		Year t-2		Year t-3	
	Number	%	Number	%	Number	%	Number	%
<b>Audit, Compliance and Related Party Transactions Committee</b>	2	100%	2	50.00%	2	50.00%	1	25.00%
<b>Appointments and Remunerations Committee</b>	3	60.00%	N/A		0	0.00%	0	0.00%

C.2.3 Repealed paragraph.

C.2.4 Repealed paragraph.

C.2.5 Indicate, where appropriate, the existence of regulations for the Board's committees, the place where they can be reached for consultation, and amendments made throughout the year. In turn, it shall be indicated whether an annual report on the activities of each committee was drawn up voluntarily.

#### Audit, Compliance and Related Party Transactions Committee

The Audit, Compliance and Related Party Transactions Committee is regulated in the Bylaws, in the Board of Directors Regulations and in the Audit, Compliance and Related Party Transactions Committee Regulations, all of which are available for consultation on the Company's website ([www.gamesacorp.com](http://www.gamesacorp.com)).

The Regulations of the Audit, Compliance and Related Party Transactions Committee were approved by the Company's Board of Directors on 29 September 2004 and were subsequently amended on 21 October 2008. A new revised text was approved on 15 April 2011, subsequently amended on 20 January 2012 and 24 March 2015.

In its session held on 22 February 2017, the Board of Directors of GAMESA endorsed the amendment of the Regulations of the Audit and Compliance Committee. The cited amendment was essentially of a technical nature and its purpose was to adapt the powers of this Committee to the new content of article 529 quaterdecies of the Capital Companies Law. A series of reforms were also included to make further progresses in the implementation of the Recommendations of the Good Governance Code.

Finally, the Company's Board of Directors approved the version of the revised text of these Regulations on 4 April 2017, which is currently in force.

This last amendment of the Regulations of the Audit, Compliance and Related Party Transactions Committee was carried out to also adapt it to the new content of article 529 quaterdecies of the Capital Companies Law regarding the composition of the Committee, which shall have a majority of independent directors, and to adapt it to the new name of the Committee after the effectiveness of the Merger including the "related party transactions" in it.

In accordance with article 12 g) of the Regulations of the Audit, Compliance and Related Party Transactions Committee, this Committee has the duty to draw up an annual report on its activities, which shall be submitted to the Board of Directors for approval and which shall subsequently be made available to the shareholders when the Ordinary General Shareholders Meeting is convened.

#### Appointments and Remunerations Committee

The Appointments and Remunerations Committee is regulated in the Bylaws, in the Regulations of the Board of Directors and in the Regulations of the Appointments and Remuneration Committee, all of which have been posted and are available on the Company's website ([www.gamesacorp.com](http://www.gamesacorp.com)).

The current Appointments and Remunerations Committee Regulations were approved by the Company's Board of Directors on April 4, 2017 after having approved to merge the former Appointments Committee with the former Remuneration Committee into one Committee and consolidate its respective Regulations.

This new text of the Regulations includes the new name of the Audit, Compliance and Related Party Transactions Committee.

Article 19 of the Regulations of the Appointments and Remunerations Committee establishes the obligation of said committee to draw up a yearly report on its activities to be made available to the Company shareholders and investors following approval thereof by the Board of Directors when the Ordinary General Shareholders Meeting is convened.

See note (C.2.5) in Section H of this report.

#### C.2.6 Repealed paragraph.



## **D RELATED PARTY TRANSACTIONS AND INTERGROUP TRANSACTIONS**

- D.1 Explain, where appropriate, the procedure for approving related party transactions and intergroup transactions.

<b>Procedure for approving related party transactions</b>
<p>Article 33 of the Regulations of the Board of Directors, which regulates the transactions of the Company with shareholders holding significant stock and directors, establishes that <i>“the performance of any transaction by the Company with Directors or shareholders with significant participation, or who have proposed the appointment of any Director of the Company, is subject to the approval of the Board of Directors or the General Shareholders' Meeting, after receiving a report from the Audit, Compliance and Related Party Transactions Committee, in the terms established by law.</i></p> <p><i>If there are transactions that fall within a general line of business and are of a habitual or recurring nature, a general and prior authorization of the line of transactions by the Board of Directors will suffice.</i></p> <p><i>The transactions must be performed in market conditions and with respect for the principle of equal treatment of shareholders.”</i></p> <p>In this regard, article 12 a) of the Regulations of the Audit, Compliance and Related Party Transactions Committee refers to the report that this Committee must submit with the operations or transactions that could represent a conflict of interests.</p>

- D.2 Detail the transactions which are significant due to their amount or which are relevant due to their nature made between the society or entities of its Group and the Company's significant shareholders:

<b>Significant shareholder's name or company name</b>	<b>Name or company name of the company or entity of its group</b>	<b>Type of relationship</b>	<b>Type of transaction</b>	<b>Amount (thousands of euros)</b>
Iberdrola, S.A.	Siemens Gamesa Renewable Energy Eolica, S.L.	Contractual	Sale of goods terminated or not	392,183
Siemens AG	Siemens Gamesa Renewable Energy A/S	Contractual	Purchase of goods terminated or not	211,802
Siemens AG	Siemens Gamesa Renewable Energy A/S	Contractual	Receipt of services	236,207
Siemens AG	Siemens Wind Power AB	Contractual	Receipt of services	1,424
Siemens AG	Siemens Gamesa Renewable Energy Limited	Contractual	Receipt of services	49,527

Siemens AG	Siemens Wind Power GmbH & Co. KG	Contractual	Receipt of services	41,260
Siemens AG	Siemens Wind Power GmbH & Co. KG, Hamburg	Contractual	Receipt of services	1,232
Siemens AG	Siemens Wind Power Inc.	Contractual	Receipt of services	121,603
Siemens AG	Siemens Wind Power Limited, Oakville	Contractual	Receipt of services	1,914
Siemens AG	Siemens Gamesa Renewable Energy d.o.o.	Contractual	Receipt of services	1,543
Siemens AG	Siemens Gamesa Renewable Pty Ltd	Contractual	Receipt of services	1,681
Siemens AG	Siemens Wind Power Blades (Shanghai) Co., Ltd.	Contractual	Receipt of services	1,835
Siemens AG	Siemens Wind Power B.V.	Contractual	Receipt of services	3,136
Siemens AG	Siemens Wind Power Blades, SARL AU	Contractual	Receipt of services	1,507

See note (D.2) in Section H of this report.

- D.3 Detail the transactions which are significant due to their amount or which are relevant due to their nature made between the society or entities of its Group and the company's administrators or managers:

Name or company name of the administrators or managers	Name or company name of the related party	Relation	Type of transaction	Amount (thousands of euros)

- D.4 Report on the significant transactions made by the Company with other entities belonging to the same group, whenever they are not deleted in the process of drawing up the consolidated financial statements and do not form part of the normal traffic of the Company regarding its purpose and conditions.

In any case, any intergroup transaction made with entities established in countries or regions which are considered a tax haven shall be reported:

Company name of the entity in its group	Brief description of the transaction	Amount (thousands of euros)

See note (D.4) in Section H of this report.

D.5 Indicate the amount of transactions made with other related parties.

1,816,997 thousand euro.
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See note (D.5) in Section H of this report.

D.6 Detail the mechanisms put in place to detect, determine and resolve any conflicts of interest between the Company and/or its Group, and its directors, executives or significant shareholders.

Mechanisms:

a) *Possible conflicts of interest between the Company and/or its Group, and its directors:*

Article 31 of the Regulations of the Board of Directors regulates the conflicts of interest between the Company or any other company within its group and its directors. In particular, paragraphs 1 and 2 define the situations in which a director has a conflict of interest and lists persons who, given that they are considered linked thereto, could generate situations of conflicts of interest.

Likewise, the following sections in this article regulate the mechanisms for resolving situations of conflict of interest. In particular, paragraphs 3 and 4 establish that any director who incur in a situation of conflict of interest or who notices the possibility thereof shall notify it to the Board of Directors through its Chairperson and refrain from attending and intervening in the deliberations, voting, decision-making and execution of transactions and matters affecting the said conflict. The votes of Directors affected by the conflict and who, therefore, had to abstain, will not be taken into account in order to calculate the required majority of votes to adopt the relevant resolution.

The following paragraph in article 31 of the Regulations of the Board of Directors clarifies that *“in unique cases, the Board of Directors or the General Shareholders' Meeting, as appropriate and in accordance with the terms provided by law, may waive the prohibitions arising from the duty to avoid conflicts of interest”*.

Paragraph 6 specifies that such waive shall follow the corresponding report from: (a) the Audit, Compliance and Related Party Transactions Committee on the operation subject to a potential conflict of interest, proposing the adoption of a resolution in this regard; or (b) the Appointments and Remunerations Committee when referring to waiving the performance of contractual obligations.

Paragraph 7 of the cited article states that *“the Chairman of the Board of Directors must include the transaction and the conflict of interest in question on the agenda of the next corresponding meeting of the Board of Directors so that it may adopt a resolution as soon as possible regarding the issue, on the basis of the report drawn up by the corresponding Committee, deciding to approve or not the transaction, or the alternative that may have been proposed, as well as the specific measures to be adopted.”*

Finally, paragraphs 8 and 9 state that the Company's Annual Corporate Governance Report shall include conflict-of-interest situations involving Directors or persons related thereto, and that the report of the annual financial Statements shall detail the transactions incurring in conflict of interest that have been authorized by the Board of Directors, as well as any other existing conflict of interest pursuant to the provisions of current legislation during the financial year of the financial statements.

b) *Possible conflicts of interest between the Company and/or its Group, and its managers:*

The senior management and professionals of the Company or its group who, given their activities or information to which they may have access, are classified as Affected Persons (as defined in article 6 of SIEMENS GAMESA's Internal Regulations for Conduct in the Securities Markets) by the Ethics and Compliance Division, will be subject to the Internal Regulations for Conduct in the Securities Markets, which most recently revised version was approved on 19 September 2016.

In this regard, article 20 of these Internal Regulations for Conduct in the Securities Markets establishes that managers and professionals considered to be Affected Persons must immediately inform either their supervisor or senior manager or the Ethics and Compliance Division of situations that could potentially give rise to a conflict of interest and keep such bodies permanently up to date with regard to said situations. Any concerns regarding the actual existence of a conflict of interest must be addressed with the Ethics and Compliance Division.

c) *Possible conflicts of interest between the company and/or its group and significant shareholders:*

The procedure for resolution of conflicts of interest with significant shareholders is set forth in article 33 of the Regulations of the Board of Directors, according to which any operation between the Company and a significant shareholder *"is subject to the approval of the Board of Directors or the General Shareholders' Meeting, after receiving a report from the Audit, Compliance and Related Party Transactions Committee, in the terms established by law."*

The cited article states that if the previous transactions fall within the ordinary course of business and are of a regular or recurring nature, *"a general and prior authorization of the line of transactions by the Board of Directors will suffice."*

In any case, *"the transactions must be performed in market conditions and with respect for the principle of equal treatment of shareholders."*

d) *Relationships of the directors and/or significant shareholders with companies of the Group:*

Article 37 of the Regulations of the Board of Directors states that *"the obligations of the Directors of the Company and of the shareholders that own a significant stake which are referred to in this Chapter will be understood as applicable, analogically, regarding their possible relations with companies of the Group."*

D.7 Do you list more than one company of the Group in Spain?

Yes

No

Identify the subsidiary companies listed in Spain:

Listed subsidiary companies

Identify if the respective areas of activity and possible business relationships between them, as well as relationships between the listed subsidiary and other Group companies have been accurately and publicly defined;

Yes

No

<b>Define any business relationships with the parent company and listed subsidiary company, and between it and other companies of the Group</b>

Identify the mechanisms in place for resolving any conflicts of interest between the listed subsidiary and other companies of the Group:

<b>Mechanisms for resolving possible conflicts of interest</b>

## **E RISK MANAGEMENT AND CONTROL SYSTEMS**

### **E.1 Explain the scope of the Company's Risk Management System, including tax-related risks.**

Siemens Gamesa Renewable Energy (hereinafter, “the Company” or “Siemens Gamesa”) has some **Risk Control and Management Systems** encompassed within the standards of **Corporate Governance** within an internal benchmark framework that we refer to as **ERM** (Enterprise Risk Management). ERM is considered at the top level of management on the basis of, firstly, the guidelines established in the Regulations of the Board of Directors (Arts. 6 and 7), and in the Regulations of the Audit, Compliance and Related Party Transactions Committee (Arts. 9 and 11); and secondly, in international methods of recognized repute (COSO 2004 and ISO/CD 31000).

The **Risk Control and Management Systems in ERM** are promoted by the Board of Directors and Senior Management and implemented throughout the entire organization.

The basis for these systems is contained in the **Risk and Internal Control Policy**. This policy lays the foundation and general context for key ERM elements, which are summarized below.

The risk management process classifies the risks into four dimensions:

- **Strategic:** Risks that are directly influenced by strategic decisions, arise from long-term strategies or relate to high-level goals
- **Operations:** Risks arising from the day-to-day business and relating to effectiveness and efficiency of the entity’s operations, including performance and profitability goals
- **Financial:** Risks arising from finance operations, non-compliance with tax authorities or accounting and reporting requirements
- **Compliance:** Risks arising from non-compliance with the code of conduct, legal, contractual or regulatory requirements

The ERM process is a continuous cycle with the objective of proactively managing business risks and it is based on 6 phases:

- **Identify:** Aims at detecting relevant risks and opportunities (R/O) that could have a negative or positive impact on the achievement of strategic, operations, financial and compliance objectives of the company. The identification of R/O lies in everyone’s responsibility and is inherent in day-today business. It is based on the "Top-down" and "Bottom-up" perspectives throughout the entire organization, representing corporate and regional **R/O maps** backed by specific risk management systems and the appropriate consistency between “micro- and macro-risks”
- **Assess:** Evaluates and prioritizes the identified R/O and focuses management's attention and resources on the most important matters. All identified R/O are assessed by means of impact and likelihood considering a time horizon of three years and different perspectives, including business objectives, reputation, regulatory and economic matters. ERM is based on a net approach, addressing risks and opportunities remaining after the execution of existing control measures
- **Respond:** Focuses on the definition, agreement and implementation of response plans to manage the identified risks choosing one of our general response strategies to address risks (avoidance, transfer, reduction or acceptance). Our general response strategy for opportunities is to seize the relevant opportunities.

- **Monitor:** Deals with appropriate controls and continuous monitoring to enable the timely notification of fundamental changes in the R/O situation, the progress of the indicators (KRIs) and response plans
  - **Report and escalate:** Focuses on the standardized and structured reporting of identified R/O. This process provides relevant risk information to the management
- Sustain and continuously improve:** Risk management in Siemens Gamesa's ERM develops on the basis of the application of the principle of continuous improvement, audits, self-assessments, benchmarking, etc. and it means reviewing the efficiency and effectiveness of the ERM process and its compliance with legal and regulatory requirements to ensure sustainability

E.2 Identify the bodies of the Company that are responsible for developing and implementing the Risk Management System, including tax-related risks.

As the Company's top decision-making, oversight and control body, the **Board of Directors** examines and authorizes all relevant operations. It is also responsible for establishing the general policies and strategies, including the Risk and Internal Control Policy and tax strategy of the Company, and likewise oversee and implement the supervision of internal information and control systems.

The Company's Risk Control and Management Systems are applied through an **organization structured into the following 4 tiers of protection and defense:**

**1º Property and risk control**

**Executive Committee (ExCo)** as Top risk owner is responsible, among other aspects, for:

- Ensuring and promoting compliance with relevant legal requirements and internal policies
- Applying the Risk and Internal Control Policy and R/O management strategy as basis for R/O management process
- Ensuring an integrated risk and internal control and management in the business and decision-making processes
- Defining and proposing for approval the specific numerical values for the risk limits stated in the specific policies and/or in the annually set objectives
- Informing the Audit, Compliance and Related Party Transactions Committee of the Board of Directors concerning all company-related issues regarding strategy, planning, business development, risk management and compliance

**Executive Committees of each region:** As owners of the regional R/O, they have duties at this level that are similar to those of the Group's ExCo

**Finance Division:** In accordance with the Investment and Financing Policy, it centralizes financial risk management throughout the Siemens Gamesa Group

**Tax Department:** Reporting to the Finance Division, it ensures compliance with the tax strategy and policy, apprising control and oversight bodies of tax-related criteria and policies applied during the year and the tax risk control. This role manages and ensures due compliance with the tax obligations throughout the Group

## **2º Tracking and Compliance**

- **Risk and Internal Control Department (RIC):** Integrated in the Finance Division but reporting functionally, directly to the Audit, Compliance and Related Party Transactions Committee of the Board of Directors, the RIC Organization integrates the ERM and Internal Control functions, participates in defining the risk strategy, the good operation and efficiency of the control systems and in mitigating the detected risks and ensures that the executive line evaluates everything related to the risks of the company, including the operational, technological, financial, legal, social, environmental, political and reputational risks.
- **Ethics and Compliance Division:** Reporting directly to the Audit, Compliance and Related Party Transactions Committee of the Board of Directors, this division applies the Code of Conduct and Internal Regulations for Conduct in the Securities Markets, and supervises the implementation and compliance with the Crime Prevention and Fraud Policy and manuals.

## **3º Independent assurance**

Reporting to the Audit, Compliance and Related Party Transactions Committee of the Board of Directors, the **Internal Audit Division** is responsible, among others, for informing, advising and reporting on the following matters:

- The Company's application of generally accepted accounting principles, as well as any significant accounting change in relation thereto
- Risks associated with the balance sheet and functional areas of activity with identification, measurement and control existing thereon
- Transactions between the Company and third parties, whenever they imply a conflict of interest or are transactions involving shareholders that own a significant stake
- Information of a financial nature that is submitted regularly or periodically to investors and market agents as well as Securities Market Regulators
- Adaptation and integration of internal control systems

## **4º Supervision**

**The Audit, Compliance and Related Party Transactions Committee** of the Board of Directors has formal responsibility to:

- Periodically review the effectiveness of internal control and risk management systems, including those related to tax, in order to adequately identify, analyze and report on the key risks, as well as collaborate with the auditors in analyzing the significant weaknesses in the internal control system detected when carrying out the audit, without affecting its independence. As a result of this review, the Committee may submit recommendations or proposals to the Board of Directors
- Review all risk policies and propose amendments thereof or the adoption of new policies to the Board of Directors
- Ensure that policies on the control and management of risks identify at least: the different types of risk affecting the Company and the Group, including financial or economic risks, contingent liabilities and other off-balance sheet risks; the levels of risk that the Company and the Group deem acceptable; the planned measures to mitigate the impact of identified risks
- Ensure that the RIC Department participates in defining the risk strategy, in the correct functioning and effectiveness of the control systems and in mitigating the risks detected

The **Board of Directors** approves the specific policies from which the risk levels that the Corporation considers acceptable are derived and are aimed at maximizing and protecting the economic value of Siemens Gamesa within a controlled variability.



E.3 Indicate the principal risks, including tax-related risks, that could affect the achievement of the business objectives.

In the deployment of the company's strategic and operational planning, Siemens Gamesa faces a broad range of risks inherent to the sector in which it carries out its activities and in countries where it operates that could affect the achievement of business objectives.

In general, the term "risk" is defined as the potential for loss caused by an event (or series of events) that can adversely affect the achievement of the company's business objectives, hence the Risk Control and Management Systems are clearly linked to the strategic planning process and setting of company objectives.

Below there is a brief summary of the main risks that could affect the achievement of the business objectives which have been monitored in 2017.

#### **Strategic**

- **Pressure on contribution margin and MW volumes**, due to factors such as changes in governmental political decisions, cost of wind energy situation versus solar and other energy sources, evolution of the business model towards auctions in an increasing number of countries, a temporary halt in the Indian market and the effects of decisions after changes of government such as in the US
- As a result of geographical diversification and a large customer and supplier base, Siemens Gamesa is exposed to "**Country Risk**", understood as an environment where social-political and security conditions could affect the local interests of Siemens Gamesa, such as the effect on the Brazilian wind market affected by the macro situation of that country, processes such as Brexit in UK or terrorist attacks in several countries

#### **Operations**

- **Risks of cyber-attacks**: Like other large multinational companies, Siemens Gamesa is exposed to the growing threat of ever more professionalized cybercrime
- **Supply chain risk**: The geographic diversity of suppliers and potential failures in the delivery of critical components and services could affect the business continuity
- **Risk that the cost reduction processes of some products do not occur at the appropriate pace** to compensate the price pressure

#### **Financial**

- **Risks that may affect balance sheet soundness**, working capital control and structure and/or results (including the continuous improvement of costs), such as strategic and/or operational matters that could lead to impairment of assets
- **Market Price risk**: Siemens Gamesa is exposed to risks relating to fluctuations in the prices of the commodities used in the supply chain
- **Foreign exchange rate**: Siemens Gamesa conducts transactions with international counterparties in the ordinary course of its business, leading to revenues and income generation in currencies different from EUR, and to future cash flows generation in Siemens Gamesa entities in a currency other than their functional currencies, and is therefore exposed to risks from changes in foreign currency exchange rates

- **Interest rate risk:** is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This risk arises whenever interest terms of financial assets and liabilities are different. Siemens Gamesa uses external sources to finance parts of their operations. Loans at variable rates expose the Group to interest rate risks, while loans at fixed rates expose the Group to fair value interest rate risk. The variable rates are mainly linked to the LIBOR or the EURIBOR
- **Credit risk:** is the risk that a counterparty or customer does not meet his or her contractual payment obligations and that leads to a loss for Siemens Gamesa
- **Fiscal risks** derived from local and/or global requirements and direct or indirect impositions

#### **Compliance**

- **Risk of occurrence of severe and/or fatal accidents** with additional effects of delays, damage to assets and reputational loss, caused by, among others, the high risk profile of some projects, potential failures in the selection, monitoring and qualification processes of contractors, as well as work in emerging market environments where the culture towards environmental and health and safety Standards is less mature.
- **Risk of regulatory uncertainty and compliance** of the applicable and potentially applicable legal requirements, as well as control of risk of commission of crimes, including, among others, fraud, bribery and corruption.

The Management Report in the annual report corresponding to 2017 contains an additional description of some of the risks associated with Siemens Gamesa activities.

E.4 Identify whether the entity has a risk tolerance level, including tax-related risks.

The risk strategy and tolerance are established by Senior Management based on quantitative variables (indicators) or qualitative variables that let them establish the amount of risk that the company is willing to assume to reach its objectives.

Siemens Gamesa uses 3 levels of risk tolerance, "risk acceptance", "risk monitoring" and "risk escalation". The tolerance is updated regularly and at least whenever there are changes in the strategy and/or policies.

Siemens Gamesa essentially has 3 ways of establishing risk tolerance levels, which are complementary to one another:

- 1) Through specific and regularly revised policies and internal rules and regulations, including, among other:
  - Risk and Internal Control Policy
  - Corporate Tax Policy
  - Investment and Financing Policy (exchange rate, credit and interest risks)
  - Excellence Policy (Health & Safety, environmental respect, quality and energy efficiency)
  - Codes of Conduct
  - Crime Prevention and Fraud Policy

- 2) The establishment of objectives, annually or in conformity with strategic regularity, for indicators used in monitoring some risks. Some of these indicators are:
- EBIT, net amount of the business figure, net financial debt, CAPEX, working capital
  - MW sold and new orders
  - Non-quality costs and other costs
  - Frequency index, severity index

In this context, during 2017, an update of the specific numerical values of the limits of the most significant risks has been done.

- 3) The use of different perspectives for assessing the impact according to a series of criteria so that the result, once combined with their likelihood of occurrence, can assess risks as major or high when they are considered to exceed the tolerance and thus require mitigation plans.

For a certain risk identified and assessed as major or high, and for which there is also a policy and/or risk limit that has been or is expected to be exceeded/breached, as many mitigation actions as necessary should be established until the risk returns to its tolerance level.

Each Group company is responsible for approving, in their corresponding governing bodies, the specific risk limits applicable to each one and implements the necessary control mechanisms to ensure compliance with the Risk and Internal Control Policy and the specific limits that affect them.

Once the risks, including tax-related risks, threatening achievement of the objectives have been identified, the risk owners or their delegated parties, backed by the RIC Department and other support roles, assess these risks with a view to ascertaining their priority and measuring the levels of exposure in terms of tolerance levels to thus establish the required treatment (risk mitigation plans).

E.5 Indicate the risks, including tax-related risks, arising during the period.

The risk factors which have materialized in the countries and markets in which Siemens Gamesa does business during 2017 have had a significant impact on the group's financial results and has not made it possible for the favourable performance of some businesses, markets and activities to offset the negative effects of others. The key risks that have materialized include:

- The transition to fully competitive renewable energy models - in particular, the temporary halt in the Indian Market, the Group's second-largest Onshore market, after the introduction of wind auctions in February 2017, and the reduction in onshore installations in the UK after wind was excluded from the contract for differences mechanism in 2016. The transition enhances wind power's long term potential but the return being demanded of wind power projects is declining as the renewable energy industry matures, creating higher demand volatility in key markets.
- The transition effects seen in 2017 impacted not only sales volumes but saw downward pressure on prices as a result of which the Group booked an inventory impairment of Eur 134m to adapt to new market conditions.

It should be noted that activities in 2018 will be subject to a continuation of these same risk factors in the development of the wind market. In addition the Group expects to face uncertainties from:

- The process of negotiation of the United Kingdom's withdrawal from the European Union and the policies adopted by the US government both towards the renewable energy sector, and on fiscal reform, which may impact on exchange rate volatility and increases in interest rates

E.6 Explain the response and supervision plans for the main risks of the entity, included tax-related risks.

As particular response and supervision actions that apply to significant risks, including tax-related risks, (whether materialized or not), the following stand out:

**Strategic**

- Development of new business opportunities, entry into new countries and cost reduction programs in all units to mitigate pressure risk in margin and volumes
- The potential effects of downward "country risk" business are mitigated by the balanced diversification of the sales in other countries/regions and a Security Model that ensures the continuity and security of the business, people and assets in the countries in which the Company operates, managing early warnings and through contingency and emergency Plans
- Development of a new Business Plan

**Operational**

- Information Security Model leaded and continuously improved by a holistic and cross functional security committee capable of preventing and mitigating the external threats of cyber-attacks
- In order to minimize risks within the Supply Chain, there are carried out various control activities in the different phases of the relationship with suppliers, including development of multiple sourcing and the Ethics and Compliance controls
- Continuous reduction of costs is carried out through specific programs with objectives deployed in all regions, under the control from the corporation looking for the improvement in the profitability in terms of Cost of Energy and contribution margin

**Financial**

- Balance-sheet risks are prevented/mitigated by a continuous monitoring of the cash flow and relevant matters that could cause deterioration of assets
- The market risk related to the price of commodities is mitigated in some cases by using derivatives instrument
- In order to reduce the exposure to exchange rate, several actions are carried out, including but not limited to: the increase in local content, coverage by means of derivative financial instruments, monitoring of open exposure to fluctuation fulfilling the coverage of the Group and sensitivity analysis for different currencies
- Siemens Gamesa continuously analyses the split of external financing at variable and fixed rates to optimize the interest rate exposure. The Group uses derivative financial instruments to mitigate the interest rate risk

- Siemens Gamesa deals with customers that have an appropriate credit history and rating, companies within the energy sector with an above average credit rating, and in cases of customers with no or an below average rating or credit history a variety of mitigation measures are used, such as irrevocable letters of credit or export insurances to cover the increased credit risk
- Fiscal risks are controlled through various mechanisms established in the Fiscal Risks Control and Analysis Framework, among which are: periodic information to the management and supervision bodies of the Company on compliance with good tax practices; Application of the Corporate Tax Policy and a specific control of the compliance with the legal requirements in fiscal matters by region

### **Compliance**

- The mitigation of severe accidents and fatalities risk are developed with several actions, among which we highlight: reinforcement of zero tolerance policy; Specific shock plans for each severe accident and global prevention plans for those regions with worse outcomes; Preventive measures for H&S before operating in a new geographical location
- Siemens Gamesa has Systems of monitoring of regulatory changes and Manuals for the prevention of crimes as requirements of the main regions in which it operates, in which corresponding specific controls are included in detection and prevention

In the Management Report and in the Financial Statements corresponding to 2017 additional information regarding response and supervision plans is addressed.

In addition to the specific response measures, continuous global supervision and monitoring processes operate to ensure an adequate response to the principle risks of the company. These include, among others:

- Control exercised by unit and regional area managers and by the Executive Committee with respect to the evolution of the R/O maps and mitigation plans
- Reports to the Audit, Compliance and Related Party Transactions Committee of the Board of Directors regarding developments in the R/O maps by the responsible of RIC and individually for significant risks and opportunities by the R/O owners
- Operational risk insurance by third parties with annual updates and revision of coverage
- External certificates for the management system according to OHSAS18001, ISO 14001 and ISO9001
- Internal certificates from the Management related to the ERM process considering ERM process as part of the RIC System is implemented and ensures that material risks and opportunities are properly managed
- Declaration of conformity over ERM System according to ISO/CD 31000.
- Assessments, including independent assessment, by management, internal audit and external audit of the effectiveness of the internal controls over financial reporting
- Regular training sessions for managers and executives on the Risk and Internal Control Policy, integrated R/O management methods and implementation of the ERM Methodology
- Internal audits of significant risks made by the Internal Audit Division

## **F INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATED TO THE PROCESS FOR ISSUING FINANCIAL INFORMATION (FIICS)**

Describes the mechanisms that make up the internal control and Risk Management Systems related to the process for issuing the financial information (FIICS) of the entity.

### **F.1 Entity control setting**

A report indicating the main features of at least the following:

- F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFRS; (ii) its implementation; and (iii) its supervision.

In accordance with the Bylaws of the Company, the Board of Directors shall be responsible specifically for drawing up the financial statements and the management report which correspond to both the Company and its consolidated Group, proposal for the application of results, and overseeing and approving the regular financial information that should be made public in the company's condition as a publicly traded company.

Within this framework, therefore, the ultimate responsibility corresponds to the Siemens Gamesa Board of Directors for guaranteeing the existence and maintenance of an adequate ICFRS, supervision which is in accordance with the competencies established in the Regulations of the Board of Directors and in the Regulations of the Audit, Compliance and Related Party Transactions Committee of the Board of Directors has delegated to it and it constitutes, furthermore, responsibility of the Management of the Siemens Gamesa Group, through its Financial Department, its design, implantation and maintenance.

In turn and in support of the Audit, Compliance and Related Party Transactions Committee of the Board of Directors, it has the function of the Internal Audit that with direct access to the mentioned Committee and in the fulfilling of its annual work plan promotes the control relating to the reliability of financial information.

The Regulation of the Audit, Compliance and Related Party Transactions Committee of the Board of Directors establishes, as its scope of competence, the supervision of the effectiveness of the internal control system of the Company and risk management systems including those regarding taxes, as well as the analysis along with the external account auditors of significant internal control weaknesses identified and, where appropriate, in the performance of the auditing and monitoring of the drawing up and submission process of regulated financial information.

In relation to the competencies relating to the process of drawing up the economic-financial information, the Audit, Compliance and Related Party Transactions Committee of the Board of Directors performs, among others, the following functions:

- Supervises the process of drawing up, presentation and integrity of the economic-financial information relating to the Company and its consolidated Group, as well as the correct marking of the latter, and raising the recommendations or proposals to the Board of Directors deemed appropriate in this regard.

- With regard to economic and financial information that the Company must periodically and mandatorily provide for the markets and their supervisory bodies: (i) review said information to ensure that it is accurate, sufficient and clear; and (ii) inform the Board of Directors before it adopts the corresponding agreement.
- Verify that all periodic economic and financial information is formulated under the same accounting criteria as the annual financial information and, for this purpose and where appropriate, propose to the Board of Directors that the auditor perform a limited review thereof.
- Oversees compliance with legal requirements and the correct application of generally accepted accounting principles, and informs the Board of any significant changes in accounting criteria.

In relation to the internal control and risk management systems:

- Periodically reviews the effectiveness of internal control and risk management systems, including those related to taxes, in order to adequately identify, analyze and report on the key risks, as well as to analyze along with the account auditors the significant weaknesses in the internal control system detected when carrying out the audit, all of this without affecting its independence. As a result of this review the Committee may raise recommendations or proposals to the Board of Directors.
- Reviews the risk policies and proposes their modification or the adoption of new policies to the Board of Directors.
- Ensure that policies on the control and management of risks identify at least:
  - The different types of risk (operational, technological, financial, legal, fiscal, reputational, etc.) affecting the Company and its Group, including financial or economic risks, contingent liabilities and other off-balance sheet risks.
  - The risk levels that the Company and the Siemens Gamesa Group deem acceptable in accordance with the Corporate Governance Standards.
  - The planned measures to mitigate the impact of identified risks, should they materialize.
  - The information and internal control systems used to control and manage risks.
- Ensure that the Risk Department participates in defining the risk strategy, in the correct functioning and effectiveness of the control systems and in mitigating the risks detected.

Siemens Gamesa has an Internal Control and Risk Department (RIC), with direct responsibility of the Finance Department and that depends functionally on the Audit, Compliance and Related Party Transactions Committee of the Board of Directors. The responsibilities of the Internal Control and Risk Department are to set and monitor the effectiveness of an integrated risk and internal control system, including the ICFRS.

F.1.2. If they exist, especially regarding the process for drawing up financial information, the following elements:

- Departments and/or mechanisms responsible: (i) for the design and review of the organizational structure; (ii) for clearly defining the lines of responsibility and authority, adequately delegating tasks and functions; and (iii) for ensuring that sufficient procedures are in place for correct dissemination within the entity.

Regarding the definition of the organizational structure, the Regulations of the Board of Directors establish that the Appointments Committee must report to the Board of Directors regarding the proposals for appointment and dismissal of Senior Management, and the Remuneration Committee must report, prior to their approval by the Board, regarding their remuneration conditions and terms and conditions of their employment contracts.

The Management Committee of the Group is responsible for defining, designing and revising the organizational structure. It also assigns functions and tasks, guarantees adequate separation of functions and ensures that the areas of the different departments are coordinated in order to meet the Company objectives.

Furthermore, the Human Resources Division is responsible for supervising the Company organizational design and ensuring its homogeneity. The Communications Division communicates the relevant changes in the organization through the means of internal communication, primarily the corporate intranet and email.

Additionally, the Human Resources Division maintains and publishes the organizational chart of the company on the corporate intranet.

For the purpose of drawing up financial information, the Group has clearly defined lines of authority and responsibility. The General Finance Division (GFD) has the main responsibility for drawing up financial information.

The General Finance Division ensures the existence and correct dissemination throughout the Group of the internal control policies and procedures necessary to guarantee that the process of drawing up financial information is reliable. Moreover, the General Finance Division schedules the key dates and reviews to conduct by each responsible area.

The Group has financial organizational structures adapted to local needs in every region where it operates headed by a Financial Director, whose duties include yet are not limited to the following:

- Design and establish local organizational structures appropriate for developing the assigned financial tasks.
- Integrate Group-defined corporate financial policies into local management.
- Adapt corporate accounting and management systems to local needs.
- Comply with the procedures delimited within the Group's Internal Control over Financial Reporting System (ICFRS) and guarantee the proper separations of functions at the local level.
- Implement and maintain the control models through corporate technology tools.



In particular and referring to the model for the Financial Information Internal Control System, the existing organizational structure has sufficient resources for proper operation thereof with centralized guidelines that are controlled and supervised at a central level at the group, but with local implementation in each region to expand processes considered to be key for the Company.

- Code of Conduct, approving body, level of dissemination and instruction, principles and values included (indicating if there is specific mention of the record of operations and drawing up of financial information), body responsible for analyzing breaches and proposing corrective actions and penalties.

Siemens Gamesa has a Code of Conduct, the current version of which is approved by its Board of Directors on April 5, 2016. The Code of Conduct represents the development and formal expression of the values, principles, attitudes and standards governing the conduct of the Companies which make up the Group and the people subject to this Code during the fulfillment of their functions and in their work, commercial and professional relationships, with the purpose of consolidating a universally accepted business ethic.

The Code of Conduct is available in several languages and copies of it are disseminated among its intended recipients and posted on the corporate website ([www.siemensgamesa.com](http://www.siemensgamesa.com)) and on the intranet, in the area reserved for the Ethics and Compliance Division; being open to the possibility of any other medium for its dissemination.

Among the principles and values included in the Code, general conduct rule 3.11 expressly states that the information conveyed to shareholders will be transparent, clear, truthful, complete, consistent, simultaneous and adhere to the principles of the Communication Policy and contact with shareholders, institutional investors and vote advisers, which pertains the Corporate Governance standards.

In particular, in general conduct standard 3.24 of the aforementioned Code it expressly indicates that "the economic-financial information of Siemens Gamesa and its Group - in particular, the Annual Accounts-, is a faithful reflection of its economic, financial and equity-related reality, in accordance with generally accepted accounting principles and applicable international standards on financial reporting. For these purposes, no Group Professional shall hide or distort the information in the records and accounting reports of Siemens Gamesa and its Group, which shall be complete, accurate and truthful. Group professionals will apply the controls established by the Internal Control over Financial Reporting System (ICFRS) at all Group companies and in their respective fields of responsibility for the purpose of ensuring the reliability of Company financial information".

The Ethics and Compliance Division, with functional dependence on the Audit, Compliance and Related Party Transactions Committee of the Board of Directors, is responsible for, among other aspects and regarding the Code of Conduct, proposing its revision and regular updating, for resolving the concerns that may arise and receiving any questions or complaints regarding unethical actions, actions lacking in integrity or against the included principles.

Finally, general standard 3.25 in the Code of Conduct also expressly refers to the principles and values concerning risk management in connection with the general risk management and control policy and sets forth that Group Professionals, within the scope of their duties, must be proactive agents in the culture of risk prevention through the integrated management of risks in their activities and projects, and indicates and details the corresponding principles of action.

- Whistleblower channel, for notifying the audit committee of financial or accounting-related irregularities, in addition to possible noncompliance with the Code of Conduct and illegal activities in the organization, and informing whether they are confidential in nature, when applicable.

According to the Code of Conduct and Article 10.g of the Regulations of the Audit, Compliance and Related Party Transactions Committee of the Board of Directors regarding the functions of this Committee insofar as Corporate Governance, Siemens Gamesa has enabled the Whistleblower Channel as a mechanism enabling employees to confidentially report significant irregularities, including yet not restricted to, and as expressly indicated thereby, finance and accounting-related irregularities detected within the company.

The Audit, Compliance and Related Party Transactions Committee of the Board of Directors is responsible for establishing and supervising the Whistleblower Channel through the Ethics and Compliance Division, which Siemens Gamesa manages according to the conditions and powers set forth in the written procedure regulating the "Whistleblower Channel Operating Rules" as part of the internal regulations, which set out its operation and conditions for use, access, scope and other aspects.

In accordance with our internal regulations, a function of the Ethics and Compliance Division as regards the Code of Conduct/Whistleblower Channel is to evaluate the level of compliance with the Code of Conduct and draw up a report thereon for submission to the Audit, Compliance and Related Party Transactions Committee, informing on suggestions, concerns, proposals and non-compliance.

Upon receipt of a written complaint with a series of requirements and minimum content, the Ethics and Compliance Division decides whether to process or file the complaint.

Should signs of a potential infringement of the Code of Conduct appear, a case file will be processed confidentially and may initiate as many actions as may be required, especially interviews with the people involved and witnesses or third parties considered capable of providing useful information. Other roles within the Company may be called on, as appropriate, to provide assistance.

Having processed the complaint, the Ethics and Compliance Division will draw up a report, establishing predefined deadlines for the conclusion thereof, content and method of communication.

The Human Resources Division establishes the pertinent disciplinary measures for Code of Conduct infringement cases that should in any case be equitable to the severity of said infringements.

If upon processing the disciplinary proceeding and drafting the report, the Ethics and Compliance Division concludes that signs of illegal conduct exist they will make it known to the Litigation Division for the purposes of assessing where necessary to inform the competent legal or administrative authorities.

- Periodical training programs and updates for personnel involved in drawing up and reviewing financial information, and assessing the ICFRS, that shall at least include accounting standards, auditing, internal control and risk management.

Siemens Gamesa has procedures and processes for contracting personnel to identify and define all milestones of the selection and contracting process used to guarantee that new employees are qualified to undertake the responsibilities associated with the position.

The management of its employees' knowledge through the required detection, retention and development of talent and knowledge, along with ensuring its correct transmission, is a main line of action for Siemens Gamesa.

In this context, it has processes and tools to determine the level of performance and development needs of the persons who Siemens Gamesa incorporates.

Personnel directly and indirectly responsible for actions related to the financial and accounting scope have been the object of previously outlined selection and contracting processes, furthermore, their trainings needs to have the purpose of analyzing in the internal development processes. In this context, they have the qualifications and competence necessary for executing their duties, both in the applicable accounting standards and in the principles concerning internal control. Personnel is kept continuously informed of the legislative requirements in force.

Specifically and in relation to the Code Of Conduct, the standard on the prevention of conflicts of interest, crime prevention and fraud policy, and the whistleblower channel references the Ethics and Compliance Division has developed various training sessions in fiscal year 2017.

## **F.2 Risk assessment of financial information**

A report including at least the following:

F.2.1. What are the main characteristics of the risk identification process, including error or fraud, regarding:

- Whether the process exists and is documented.

The Company developed ICFRS on the basis of the international standards established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

As mentioned further below, there is a model for identifying the effects of the different risk types. However and, in particular, regarding financial information, an internal control model is applied with a top-down approach of risk identification based on the most significant accounts in the financial statements and considering parameters related to impact, probability, characteristics of the accounts and the business process.

The risk identification process, whose potential impact on the Financial Statements is significant, considers quantitative aspects such as the percentage represented at an aggregate level by the individual company/account regarding assets, sales, income and other qualitative aspects.

The qualitative risk factors consider aspects related to:

- Characteristics of the account: Volume of transactions, required judgment, complexity of the accounting principle, external conditions.
- Characteristics of the process: Complexity of the process, centralization vs. decentralization, automation, third-party interaction, experience/maturity of the process.
- Risk of fraud: Degree of estimation and judgment, common schemes and frauds in the sector/market in which it operates, geographic regions, unusual and complex transactions, type of automation, urgent transactions, relationship with compensation systems.
- Whether the process covers the whole of financial information-related objectives (existence and occurrence; integrity; assessment; presentation; itemization and comparability; and rights and obligations), whether it is updated and how frequently.

The process was designed in consideration of the financial reporting objectives contemplated in the internal control document on financial reporting for listed companies issued by the Spanish Securities Market Commission (CNMV) in June 2010.

In the previous context, and in the case of the processes associated with the economic-financial information, the process has focused on analyzing the events that could affect the objectives of financial information related to:

- Integrity.
- Validity.
- Evaluation.
- Deduction.
- Record.
- Presentation and breakdown.

The risk assessment model for attaining objectives linked to the reliability of financial information systematically and objectively identifies the critical risks and processes of an annual nature.

- The existence of a process for identifying the consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures or special purpose entities.

As per the recommendations of the Unified Code of Good Governance of the Board Directors in Article 7 of its Regulations, the authority is established to approve the creation or acquisition of shares in special purpose companies or companies that are domiciled in countries or territories that are, under current legislation, considered tax havens.

Moreover, and in this context, the corporate tax policy of the Group indicates that Siemens Gamesa, in carrying out its activities, will attend to the principles of an ordered and diligent tax policy embodied in the commitment to:

- Avoid the use of artificial and/or obscure structures for tax purposes, understanding that the latter are intended to prevent understanding, on the part of the Tax Administration personnel, of the final responsibility for the activities or the last owner of the property rights involved.
- Not construct or acquire resident companies in tax havens with the aim of evading tax obligations.

Likewise, the Siemens Gamesa group maintains a record, continuously updated, of all legal entities that contains all of the shares, whatever their nature, whether direct or indirect, including, where applicable, both instrumental companies as well as special purpose companies.

For the purpose of identifying the scope of consolidation, in accordance with the criteria contemplated in international accounting legislation, the company maintains and regularly updates a database of all companies which constitute the Siemens Gamesa Group.

The Group has an established process within the Finance department which ensures the necessary flow of authorizations regarding the modifications of the consolidation perimeter and updates to the database of companies.

In this context, in the internal control system establishment of the financial information and forming part of the consolidation priority process, the sub process of identifying the consolidation perimeter is developed.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax-related, reputational, environmental, etc.) insofar as they have an impact on the financial statements.

Siemens Gamesa has incorporated a risk management process based on the COSO method and standard ISO/CD 31000 in an internal benchmark framework that we call ERM (Enterprise Risk Management) and that, in accordance with the Internal Control and Risk Policy are considered four risk categories that group other sub-categories within each one:

- Strategic: Risks that are directly influenced by strategic decisions that arise from long-term strategies or are related with high-level objectives.

- Operational: Risks arising from the daily activity and regarding the efficiency and effectiveness of the operations of the company, including the performance and profitability objectives.
- Financial: Risks arising from financial operations, from non-compliance with tax requirements, accounting and/or reporting.
- Compliance: Risks arising from failure to comply with the Code of Conduct, legal, contractual or regulatory requirements.

The applied methodology is embodied as a regularly updated risk map (normally quarterly).

- What governing body of the entity oversees the process.

The supervision of the process is ultimately done by the Audit, Compliance and Related Party Transactions Committee of the Board of Directors, that supports in the Internal Audit Division to execute its responsibility.

### F.3 Control activities

A report indicating its main characteristics, if it has at least the following:

- F.3.1. Procedures for review and authorization of financial information and a description of the ICFRS to be published in the stock market, indicating the responsible parties, and including descriptive documentation on flows of activities and controls (including those related to the risk of fraud) of different types of transactions which may have a material effect on the financial statements, including the accounting close process and a specific review of relevant judgments, estimates, assessments and projections.

The Board of Directors is the highest body in charge of supervising and approving the financial statements of the Siemens Gamesa Group.

The Group sends quarterly information to the stock market. This information is prepared by the Finance Division, who does a series of control activities during the accounting closing to ensure reliability of the financial information. These controls are contained in the "Consolidation and Financial Closing" process in the ICFRS model of the Group.

On a monthly basis, the Finance Department provides the different departments involved in the accounting closings with planning and guides for drawing up financial information by each department and the date on which they should be reported.

The financial statements of the Group have the following review levels:

- Finance Division review.
- Audit, Compliance and Related Party Transactions Committee of the Board of Directors review.
- Approval of the Board of Directors (biannually and annually).

Moreover, the financial statements and interim financial statements summarized biannually are subject to auditing and limited review, respectively, by the external account auditor.

Quarterly, an internal certification process is carried out in the entire Siemens Gamesa group. The Management of the different levels of the organization, backed by the confirmations of the management of each of the regions and entities under their responsibility, confirms the accuracy of the financial information communicated to the corporate division of Siemens Gamesa and reports, likewise, the effectiveness of the corresponding Internal Control System.

Additionally, an assessment of the design and the effectiveness of the implemented control system operation is performed at the end of each fiscal year. The Management of the different levels of the organization, backed by the confirmations of the management of each of the regions and entities under their responsibility, confirms compliance with the responsibility of establishing and maintaining an effective internal control system. Conduct reports on the effectiveness of the internal control systems including the deficiencies that could impede the achievement or development of key objectives in business or those that have a material effect on the financial statements.

The financial statements are drawn up based on a reporting calendar and deadlines that are known to all participants in the process, considering the legally established terms.

The control activities designed to cover the previously identified risks, as mentioned in the previous chapter, are performed both at the Division level in a Corporate environment, with analytical reviews of the reported information, and at the level of each business unit from a more operational and specific point of view by identifying the relevant processes and subprocesses according to the different local organizational structures.

The processes considered with material impact risk in the drawing up of financial information are represented through risk and control flowcharts and matrices that identify the relevant control activities.

The control activities of particular relevance are understood to be related to the following aspects:

- Earnings recognition, degree of progress and collection.
- Capitalization of promotion expenses.
- Provision for guarantees.
- Material assets.
- Coverage management.
- Purchasing.
- Consolidation and Financial Closing.

During 2017 and within the context of continually improving the model, Siemens Gamesa has continued working on optimizing and adapting the model to the best practices in the sector.

The established system entails a continuous process, to the extent that the managers and the owners of the internal control processes draw up, review and update the activities and control procedures with support from the RIC Department.

F.3.2. Internal control policies and procedures regarding information systems (including access security, change control, operation thereof, operational continuity and segregation of functions) supporting the entity's relevant processes relating to the preparation and publication of financial reporting.

The Management of Siemens Gamesa recognizes information as strategic assets for the business and the assets that they support for which it expresses its resolve to attain the safety levels necessary to guarantee their protection, in terms of availability, confidentiality, integrity, authentication and traceability. As part of this commitment, Siemens Gamesa has a security policy manual for the information that applies in all areas that comprise the company and whose objective is to preserve the confidentiality, integrity and availability of the information.

Specifically, within the scope of the Siemens Gamesa ICFRS model, the process of general controls of the Information Systems has been developed. This process has been broken down into different sub-processes, for which various controls have been designed and established.

For the member companies of the Group, these sub-processes, as well as their main control activities are as follows:

- Backups: Business continuity as regards the timely recovery of essential business data in the event of a disaster via the duplication of critical infrastructures and periodic backup copies of the information in separate physical locations, and a policy review and control of the integrity of the copies made.
- Security of physical access to the Data Processing Center (CPD): Among other physical control activities, the information technology department restricts access to authorized personnel in different areas where key information elements of the Company are located, and these locations are monitored with the appropriate control and security systems.
- Security of software access, both internal and external: At the software security level, there are the techniques and tools that are defined, configured and implemented that restrict, to only authorized personnel based on their role-duty, access to computer applications and information databases, through procedures and control activities. These include, among others, review of users and assigned roles, encryption of sensitive information, managing and regularly changing access passwords, control of unauthorized downloads of applications, and analysis of identified security incidents.
- Controls relating to the maintenance and implementation of computer applications: Among others, the request and approval processes are defined and implemented at the appropriate level of new computer applications, of definition of versioning policies and maintenance of existing applications and their associated action plans, of definition of the various plans for implementation and application migration, of validation and monitoring of changes in the creation of applications, and of risk management through separate environments for the operation, testing and simulation. Controls relating to guaranteeing that applications have been verified and updated by the respective competent authorities before its live launch.



- Controls relating to the segregation of duties: Approved matrix of segregation of duties, in accordance that different roles are assigned to users based on the identified needs, without allowing exceptions. Periodic review and approval of the various roles assigned, as well as reassignments, updates, user deletion, verification of infrequent or unused users, etc.

F.3.3. Internal control policies and procedures for monitoring the managing activities subcontracted to third parties, and aspects related to the evaluation, calculation or appraisal entrusted to independent experts that may have a material effect on the financial statements.

Siemens Gamesa subcontracts the execution of certain routine transaction processing activities with an impact on financial information (accounts payable, payroll, invoice register, etc.) to internal shared service centers or suppliers of external services. In cases in which this subcontracting occurs, in all cases it is supported by a service contract in conditions of full competition clearly indicated by the service rendered and the means that the supplier to be used to furnish the services; guaranteeing reasonably technical training, independence and competence of the subcontracted party.

In any case, the aforementioned outsourced activities are mainly different administrative processes in offices and small subsidiaries supported by a service contract that clearly indicates the service provided and the means that the supplier, a high-level external professional, will use to provide the services; reasonably ensuring technical training, independence and competence of the subcontracted party.

Likewise, there is an internal procedure for contracting services that establishes the requirement for certain levels of approval depending on the amount in question.

The Siemens Gamesa ICFRS model identifies the control activities in which the valuation of a third party is required. In this regard, outsourced activities have been identified mainly relating to the appraisal of derivatives, legal aspects, assets and payments based on shares.

These services are contracted by the managers of the corresponding areas, reasonably ensuring the competence and technical and legal training of the subcontracted parties, reviewing as applicable the assessments, calculations or appraisals performed by external agents.

#### F.4 Information and communication

A report indicating its main characteristics, if it has at least the following:

F.4.1. A specific function responsible for defining and updating accounting policies (area or department of accounting policies) and resolving questions or disputes regarding their interpretation, maintaining fluid communication with those responsible for operations in the organization, as well as an accounting policy manual updated and communicated to the units through which the entity operates.

The Finance Division, among other functions, is in charge of identifying, defining, updating and communicating the accounting policies that affect Siemens Gamesa, and responding to accounting inquiries raised either by subsidiaries or different geographical areas and business units. In this context,

it maintains a close and smooth relationship with the management control areas of the various geographical areas and business units.

Additionally, the Finance Department is responsible for reporting to the Audit, Compliance and Related Party Transactions Committee of the Board of Directors and/or any other appropriate body regarding specific aspects of accounting standards, the results of their application and their impact on the financial statements.

The company has an accounting manual that defines and explains the standards for preparing the financial information and how such standards should be applied to the specific operations of the company. This document is updated regularly and the companies in which they apply are notified of the possible amendments or significant updates made.

On those occasions on which the application of accounting standards is particularly complex, the conclusion of the accounting analysis undertaken is communicated to the External Auditors, requesting their position on the conclusion that was reached.

The accounting policies applied by the Group are broken down into the financial statements and are consistent with those applicable under current regulations.

In case of legislative changes regarding financial reporting that affect the Financial Statements, it is the responsibility of the Finance Department to revise, examine and update the accounting standards, and supervise the adoption of new or revised standards from the International Financial Reporting Standards (IFRS) and those standards, amendments and interpretations that have yet to enter into force. Likewise, this Division is responsible for communicating the modifications or updates to the company departments and subsidiaries.

- F.4.2. Mechanisms for capturing and preparing the financial information using standardized formats, applicable to and to be used by all the units of the entity or Group, which support the main financial statements and their notes, as well as the information detailed on the ICFRS.

The process for consolidating and preparing the financial information is centralized. In this process they use the financial statements reported by the Group's subsidiaries as inputs in the established formats, as well as the rest of the financial information required for both harmonizing the accounting process and for covering the established information needs.

The Siemens Gamesa Group uses a software tool that collects individual financial statements and facilitates the process of consolidation and drawing up of financial information. This tool allows centralizing all information resulting from the accounting of individual companies of the Group into a single system.

In this context, the the Consolidation and Reporting Division establishes, in a centralized manner, a quarterly, biannual and annual closure plan which distributes to all of the groups and subgroups the appropriate instructions regarding the scope of the required work, key reporting dates of standard documentation to send, and deadlines for reception and communication. The instructions include, among other aspects, a reporting/consolidation package, preliminary closure, inter-company billing, physical inventories, confirmation and inter-group balance reconciliations, final closure and pending matters.

The content of the aforementioned reporting is reviewed regularly in order to respond to the appropriate requirements for breakdown in the financial statements.

## F.5 Monitoring the operation of the system

A report indicating its main characteristics, of at least the following:

- F.5.1. Activities related to supervision of the ICFRS carried out by the audit committee, and whether the entity has an internal audit function that includes, among its capacities, support to the committee in its task of overseeing the internal control system, including the ICFRS. It will also report the scope of the ICFRS assessment conducted during the fiscal year and the procedure whereby the person responsible for the assessment communicates the results, whether the entity has an action plan detailing possible corrective measures, and whether its impact on financial information has been considered.

There is fluid communication between the Audit, Compliance and Related Party Transactions Committee of the Board of Directors, Senior Management, Internal Control and Risk Director, Internal Audit Director and External Auditors of accounts so that they have the information necessary to perform their functions relating to the responsibility of supervising the ICFRS.

Specifically, regarding ICFRS monitoring activities undertaken by the Audit, Compliance and Related Party Transactions Committee of the Board of Directors during the year, it has performed, among others, the following activities:

- Review of the Group's financial statements and periodical, quarterly and biannual financial reporting, which the Board of Directors must provide to the markets and their supervisory bodies, monitoring compliance with legal requirements and the correct application in their elaboration of the generally accepted accounting principles.
- During supervision of the Internal Audit Department, approval of the annual audit plan and its budget to enable the internal and external human and material resources in the cited department.
- Analysis of the audit plan for External Auditors, which includes the auditing objectives based on the financial reporting risk assessment and the main areas of interest or significant transactions reviewed in the year.
- Has reviewed with the external auditors and with Internal Auditing the detected weaknesses of internal control, where appropriate, in the implementation of the different auditing and review tasks.

Siemens Gamesa has an Internal Audit Department, that has among its competencies, to support the Committee in its supervisory work of the internal control system. In order to ensure its independence, Internal Audit is hierarchically dependent on the Board of Directors and, on its behalf, its Chairman, and functionally the Committee.

With the aim of enabling this supervision of the internal control system, the Internal Audit services tend to the requirements of the Committee in the exercise of its functions, participating on a regular basis and as required in the Audit, Compliance and Related Party Transactions Committee of the Board of Directors.

The annual internal audit plan presented and approved by the Committee includes revisions of the ICFRS, establishing revision priorities on the basis of the identified risks.

The Internal Audit function has conducted audits on certain significant risks according to its annual audit plan for 2017, and submitted the corresponding reports to the Management Committee and the Audit, Compliance and Related Party Transactions Committee of the Board of Directors.

Regarding the ICFRS, the Internal Audit function performs analytical review procedures in each of the monthly closings of the consolidated financial statements entailing, among other aspects, variations analysis, unusual transactions, global calculations, etc. In addition, they have carried out various independent assessments of the key controls of the ICFRS in the entire Siemens Gamesa group, in support of the operational effectiveness assessment of the design within the general ICFRS framework established by the RIC Department.

In addition, there are meetings held among the Audit, Compliance and Related Party Transactions Committee of the Board of Directors, the Finance Division and External Auditors for queries related to important issues or when an area of generally accepted accounting principles is particularly complex.

- F.5.2. When having a discussion procedure whereby the auditor (in accordance with the provisions of the NTA), the internal audit function and other experts inform senior management and the audit committee or company officers of significant internal control weaknesses identified during the annual accounts review processes, or others which may have been entrusted to them. Likewise, information will be provided as to the availability of an action plan for correction or mitigation of the observed weaknesses.

The Audit, Compliance and Related Party Transactions Committee of the Board of Directors holds regular meetings with the external auditors, internal auditing, RIC and the division responsible for drawing up financial information to comment on relevant aspects and, as the case may be, discussing significant weaknesses identified in internal control.

In the meetings of the Committee with the account auditors they review the annual accounts of the Group as well as the periodical financial information that the Board of Directors must provide to the markets and their supervisory bodies, monitoring compliance with legal requirements and the correct application in their drawing up of the generally accepted accounting principles.

## F.6 Other relevant information

There is no other relevant information respect to ICFRS that has not been included in this report.

## F.7 Report of the external auditor

Report of:

F.7.1. Whether the ICFRS information supplied to the markets has been reviewed by the external auditor, in which case the entity should include the report as an annex. Otherwise, it should report the reasons.

Siemens Gamesa has requested an external auditor to issue a report on the review of the information regarding the ICFRS included in section F of the Annual Corporate Governance Report corresponding to fiscal year 2017.

## **G** DEGREE OF COMPLIANCE WITH THE RECOMMENDATIONS OF CORPORATE GOVERNANCE

Indicates the degree of compliance by the Company with respect to the recommendations of the Good Governance Code of issued companies.

In the event that any recommendation is not followed or is partially followed, a detailed explanation of the reasons should be included so that shareholders, investors and the market in general have sufficient information to evaluate the behavior of the Company. General explanations will not be acceptable.

- 1. The bylaws of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, nor impose other restrictions to obstruct the takeover of the Company through the purchase of shares on the market.**

Comply X      Explain

- 2. When the parent company and a subsidiary are listed, both clearly and publicly define:**

**a) Their respective areas of activity and possible business relations between them, as well as relations between the listed subsidiary and other Group companies;**

**b) The mechanisms in place to resolve possible conflicts of interest that could arise.**

Comply X      Partially Comply       Explain       Non applicable

- 3. During the ordinary shareholders meeting, in addition to a written dissemination of the annual corporate governance report, the chairman of the board of directors verbally apprises shareholders, with sufficient details, of the most relevant corporate governance aspects of the company and, in particular:**

**a) Changes made since the previous ordinary general shareholders meeting.**

**b) Reasons for which the company failed to follow any of the recommendations in the Code of Good Governance and the alternative rules, if any, that may apply in this regard.**

Comply X      Partially Comply       Explain

- 4. The company defines and promotes a communication and contact policy with shareholders, institutional investors and voting advisers in fully adherence to the rules and regulations in place regarding market abuse, and treats shareholders of the same class equally.**

**The company also makes said policy public on its website, includes information regarding how the policy is put into practice and identifies the points of contact or persons responsible for discharging such duties.**

Comply X      Partially Comply       Explain

5. The board of directors does not pass proposals onto the General Shareholders Meeting for delegating powers to issue shares or convertible securities with exclusions on first refusal rights at amounts over 20% the capital at the moment of delegation.

When the board of directors approves any issue of shares or convertible securities with the exclusion of first-refusal rights, the company immediately posts the reports on said exclusion on its website with reference to the pertinent commerce legislation.

Comply X      Partially Comply       Explain

6. The listed companies drawing up the reports cited below, whether voluntarily or as mandatory duties, also make them public on their websites with good time in advance of the ordinary general shareholders meeting, even though such dissemination may not be mandatory:

- a) Report on the independence of the auditor.
- b) Operating reports on the audit, appointments and remuneration committees.
- c) Audit committee report on related party transactions.
- d) Report on the corporate social responsibility policy.

Comply X      Partially Comply       Explain

7. The company should stream a live feed of the general shareholders meeting on its website.

Comply X      Explain

8. The audit commission ensures that the board of directors presents the accounts to the general shareholders meeting without limitations or reservations in the audit report and, in the exceptional circumstance of reservations, both the chairman of the audit committee and auditors shall clearly explain the content and scope of said limitations or reservations.

Comply X      Partially Comply       Explain

9. The company permanently publishes on its website the requirements and procedures that it will accept to accredit the shareholder, right to attend the general shareholders meeting and the exercise or delegation of voting rights.

These requirements and procedures favor the attendance and exercise of the rights of shareholders, and are applied with no discrimination.

Comply X      Partially Comply       Explain

**10. When a legitimately accredited shareholder has exercised, before the general shareholders meeting, the right to add items to the agenda or present new proposals for resolution, the company shall:**

- a) Immediately disseminate the additional points and new proposals for resolution.**
- b) Make the attendance card model or delegation of remote voting forms public, with the specific modifications so that the new items on the agenda and the alternative proposed resolutions may be voted on in the same terms as the ones proposed by the board of directors.**
- c) Subject all these items or alternative proposals to a vote and apply the same voting rules as the ones formulated by the board of directors, including in particular the assumptions or deductions regarding the meaning of the vote.**
- d) Following the general shareholders meeting, communicate the breakdown of the vote on the additional items and proposed alternatives.**

Comply  Partially Comply  Explain  Non applicable

Explanation:

The Company's Internal Regulations complies with sections a), b) and d) of the Recommendation.

Regarding section c), article 31.7 of the Regulations of the General Shareholders Meeting of SIEMENS GAMESA, which states the system for determining the meaning of the votes establishes a different deduction system for voting proposals from the Board of Directors regarding items included on the agenda than for voting on proposals for resolutions regarding matters not contemplated in the agenda or formulated by the Board of Directors.

**11. When the company intends to pay premiums for attending the general shareholders meeting, the general policy on said premiums must be established in advance and be stable.**

Comply  Partially Comply  Explain  Non applicable

**12. The board of directors carries out its duties with a consistent unity of purpose and independence of criteria, treating all shareholders in the same position equally and as guided by the interests of the company, namely obtaining profitable and sustainable long-term returns, promoting continuity and maximizing the economic value of the company.**

**And, for the sake of company interests, in observance of the pertinent laws and regulations, and through a conduct based on good faith, ethics and respect insofar as the uses and widely accepted good practices, it shall attempt to reconcile business interests with, where pertinent, the legitimate interests of its employees, providers, clients and those of stakeholders who may be affected in the community as a whole and in the environment.**

Comply  Partially Comply  Explain



13. The board of directors has an appropriate size to achieve effectiveness and participation, ideally between five and fifteen members.

Comply  Explain

14. The board of directors approves a director selection policy that:

- a) Is concrete and verifiable
- b) Ensures that appointment or re-election proposals are based on a prior examination of the needs of the board of directors
- c) Favors the diversity of knowledge, experience and gender

The results of the initial analysis of the needs of the board of directors are included in the substantiating report of the appointments committee, published when calling to convene the general shareholders meeting at which the ratification, appointment or re-election of each director will be carried out.

The director selection policy promotes attainment of the target to have the number of female directors represent at least 30% of the total members of the board of directors by the year 2020.

The appointments committee shall conduct a yearly verification of compliance with the director selection policy, reporting thereon in the annual corporate governance report.

Comply  Partially Comply  Explain

15. Proprietary and independent directors constitute a large majority of the board of directors and the number of executive directors is the minimum necessary, taking into consideration the complexity of the corporate group and the ownership interests of the executive directors in the capital of the Company.

Comply  Partially Comply  Explain

16. The percentage of proprietary directors among the total of non-executive directors should be no greater than the existing proportion between the capital of the company represented by said directors and the remaining capital.

This criterion may be attenuated:

- a) In companies with high capitalization where there are few equity stakes that attain the legal threshold for significant shareholdings.
- b) In companies that have a plurality of unrelated shareholders represented on the board of directors.

Comply  Explain

**17. The number of independent directors represents at least half of all Board members.**

However, when the company is not a high cap entity or, even if being one, it has a single shareholder or several shareholders acting jointly and controlling over 30% of the share capital, the number of independent directors shall represent at least one third of the total number of directors.

Comply  Explain

**18. Companies make public through their websites and regularly update the following information on their directors:**

**a) Professional and biographical profile**

**b) Other boards of directors to which they pertain, regardless of whether they are listed companies or not, and all other remunerated activities regardless of their nature.**

**c) Indication of the director's category, particularly indicating the represented or related shareholder for proprietary directors.**

**d) Date of first appointment as director in the company, and the subsequent re-elections. e) Shares held in the company and options thereon of which the director holds.**

Comply  Partially Comply  Explain

**19. The annual corporate governance report, upon verification thereof by the appointments committee, explains the reasons for appointing proprietary directors at the request of shareholders whose shareholding is less than 3% of the capital; and, if necessary, the reasons for not having accommodated formal requests for presence on the board representing shareholders whose equity stake is equal to or greater than that of others at whose request proprietary directors were appointed.**

Comply  Partially Comply  Explain  Non applicable

**20. Proprietary directors resign when the shareholder they represent transfers its entire shareholding. And they also do so, in the appropriate number, when such shareholder reduces its stake to a level that requires a reduction in the number of proprietary directors.**

Comply  Partially Comply  Explain  Non applicable

**21. The Board of Directors does not propose the removal of independent directors before the expiry of the period for which they were nominated, except where just cause is found by the board of directors, based on the report of the appointments committee. In particular, the existence of just cause will be construed when directors move onto new posts or undertakes new contractual obligations that would hinder them insofar as the necessary time for dedication to the discharge of functions and duties inherent to the post of director, or engender situations that would cause them to lose their status as independent as established in the applicable legislation.**

The separation of independent directors may also be put forward as a result of takeover bids, mergers or other similar corporate transactions involving a change in the capital structure of the company when such changes in the structure of the board of director are caused by the proportionality criteria in recommendation 16.

Comply  Explain

22. The companies establish rules making it mandatory for directors to report and, if necessary, resign in cases that could damage the credibility and reputation of the Company and, in particular, apprise the board of directors of criminal cases in which they are involved as defendants and subsequent developments in proceedings.

Should a director be indicted or a court decision handed down against him or her during a trial for any of the crimes listed in corporate legislation, the board of directors shall examine the case as soon as possible and, in light of the specific circumstances, decides whether or not the director may remain in office. The board of directors shall nevertheless provide a reasoned account of the events in the annual corporate governance report.

Comply  Partially Comply  Explain

23. All directors express clear opposition when they feel a proposal submitted to the board of directors may be contrary to the corporate interest. And they also do so, especially independent and other directors unaffected by the potential conflict of interests, when dealing with decisions that could harm shareholders not represented on the board of directors.

And when the board of directors makes significant or repeated decisions about which a director has serious reservations, the latter draws the appropriate conclusions and, if he or she chooses to resign, explains the reasons in the letter to which the following recommendation applies.

This recommendation also applies to the secretary of the board of directors, even though he or she is not a director.

Comply  Partially Comply  Explain  Non applicable

24. When, either by resignation or otherwise, a director leaves office before the end of his or her term, he or she explains the reasons in a letter sent to all members of the board of directors. And, regardless of whether said removal is communicated as a significant event, the reason is explained in the annual corporate governance report.

Comply  Partially Comply  Explain  Non applicable

25. The appointments committee shall ensure that non-executive directors are sufficiently available insofar as the time dedicated to undertaking their duties correctly.

The regulations of the board also establishes the maximum number of company boards on which its directors may sit.

Comply  Partially Comply  Explain

**26. The board of directors meets as often as necessary to perform its duties efficiently and at least eight times per year, following the schedule of dates and agendas set at the beginning of the year. Each individual director may propose items for the agenda not initially included.**

Comply X      Partially Comply       Explain

**27. Director absences are kept to a bare minimum and listed in the annual corporate governance report. When such absences are unavoidable, representation is granted with the corresponding instructions.**

Comply X      Partially Comply       Explain

**28. When the directors or the secretary express concerns about some proposal or, in the case of directors, about the Company's performance, and such concerns are not resolved during a meeting of the board of directors, at the request of the person who expressed the concern it will be recorded in the minutes.**

Comply X      Partially Comply       Explain       Not applicable

**29. The company establishes the appropriate channels so that directors can obtain precise advice regarding the discharge of their duties, including, when the circumstances so require, external advice paid for by the company.**

Comply X      Partially Comply       Explain

**30. Regardless of the knowledge that directors are required to have to undertake their duties, the companies also provide directors with knowledge refresher programs when circumstances would so advise.**

Comply X      Explain       Not applicable

**31. The agenda of the sessions clearly indicates items regarding which the board of directors must reach a resolution or decision so that directors can examine or ascertain, in advance, the information necessary for adoption.**

**Should the chairman exceptionally seek to submit decisions or agreements not on the agenda to the board of directors for approval, for reasons of urgency, the prior and express consent of the present directors must be secured and record thereof must be made in the minutes of the meeting.**

Comply X      Partially Comply       Explain

**32. Directors should be regularly apprised of the transactions in the shareholder group and the opinion that significant shareholders, investors and rating agencies have of the company and its group.**

Comply X      Partially Comply       Explain

33. The chairman, as responsible for the effective operations of the board of directors, in addition to the discharge of duties attributed thereto by law and bylaws, shall prepare and submit a schedule of dates and matters to address to the board of directors; organize and coordinate the regular assessment of the board and, as the case may be, the chief executive officer of the company; be responsible for managing the board and the effectiveness of its operations; ensure that sufficient time is dedicated to discussing strategic matters; and agree and review knowledge refresher programs for each director when the circumstances so advise.

Comply  Partially Comply  Explain

**Explanation:**

The Chairwoman of Siemens Gamesa has duly developed, during the 2017 fiscal year, the functions described in the present recommendation 33 of the Good Governance Code, but regarding the organization and coordination of the assessment of the CEO of the Company it shall be pointed out that the Company has agreed not to carry out that assessment for the CEO for fiscal year 2017 due to the short period of time in which he has developed his functions.

34. In addition to the legally corresponding capacities, when there is a coordinating director, the bylaws, regulations of the board of directors attribute the following duties: preside over the board of directors in the absence of the chairman and, where pertinent, vice chairmen; articulate the concerns of non-executive directors; maintain contact with investors and shareholders to ascertain their points of view regarding corporate governance, particularly concerning the company's corporate governance; and coordinating the chairman succession plan.

Comply  Partially Comply  Explain  Non applicable

35. The secretary of the board of directors particularly ensures that the engagements and decisions of the board of directors consider the good governance recommendations contained in this Code of Good Governance that apply to the company.

Comply  Explain

36. Once yearly, the board of directors in plenary session shall examine and adopt, as the case may be, an action plan for rectifying deficiencies detected in relation to:

- a) Operating quality and efficiency of the board of directors
- b) Operation and composition of its committees
- c) Diversity in the composition and capacities of the board of directors
- d) Performance of the chairman of the board of directors and company CEO
- e) Performance and contribution of each director, particularly considering the heads of the various committees of the board

Assessments of the different committees shall be based upon the reports that they submit to the board of directors, which will in turn make its assessment based on the report submitted by the appointments committee.

Every three years, the board of directors will receive assistance to conduct the assessment from an external consultant, whose independence shall be verified by the appointments committee.

The business relationships that the consultant or any company of the consultant's group maintains with the company or any company of its group must be broken down in the annual corporate governance report.

The assessed process and areas will be described in the annual corporate governance report.

Comply  Partially Comply  Explain

**Explanation:**

The Board of Directors of Siemens Gamesa has received external advisors' support for the assessment of the Board of Directors and their Committees, as well as for the individual assessment of each director, as indicated in section C.1.20 and C.1.20 bis of the present annual corporate governance report, in fulfillment of the present recommendation 36 of the Good Governance Code. Being the exception letter d) of the present recommendation 36 as the Company has agreed not to carry out the assessment of the Chairwoman and CEO for the fiscal year 2017 due to the short period of time in which they have performed their functions.

**37. When there is an executive committee, the membership structure of the various director categories are similar to that of the board of directors and its secretary shall be the secretary of the board.**

Comply  Partially Comply  Explain  Non applicable

**38. The board of directors is always apprised of the matters discussed and the decisions made by the executive committee and all members of the board of directors receive copies of the minutes of the meetings of the executive committee.**

Comply  Partially Comply  Explain  Non applicable

**39. The members of the audit committee, and particularly the chairman thereof, shall be appointed in consideration of their knowledge and experience in accounting, auditing or risk management. The majority of said members shall be independent directors.**

Comply  Partially Comply  Explain

**40. A unit under direct supervision of the audit committee shall assume the internal audit function to ensure that the internal information and control systems work properly, and will functionally report to the non-executive chairman of the board of the audit committee.**

Comply  Partially Comply  Explain

**41. The head of the unit assuming the internal audit function presents its annual work plan to the audit committee; reports to it directly on any incidents arising during its work; and submits a report of activities at the end of each year.**

Comply X      Partially Comply       Explain       Non applicable

**42. In addition to the ones attributed by law, the following duties correspond to the audit committee:**

**1. With regard to information systems and internal control:**

**a) Supervise the drawing up process and the integrity of the financial information related to the Company and, where appropriate, to the Group, revising compliance with the regulatory requirements, the proper setting of the consolidation scope and correct application of the accounting criteria.**

**b) Ensure the independence of the unit assuming the internal audit function; propose the selection, appointment, re-election and resignation of the individual responsible for the internal audit service; propose a budget for this service; approve the orientation and work plans, securing that this activity is primarily focused on the significant risks of the company; receive periodic information on its activities; and verify that Senior Management takes into account the conclusions and recommendations in its reports.**

**c) Establish and monitor a mechanism whereby staff can report, confidentially and, if possible, anonymously, any irregularities of potential importance, especially financial and accounting irregularities within the Company.**

**2. With regard to the external auditor:**

**a) In case of resignation of the external auditor, examine the circumstances that caused it.**

**b) Ensure that the remuneration of the external auditor does not compromise the quality or independence of the auditor's work.**

**c) Supervise that the company reports the change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and, if any, their content.**

**d) Ensure that the external auditor maintains a yearly meeting with the plenary board of directors to brief it on the work carried out and the progress of the accounting status and company risks. e) Ensure that the company and external auditor observe the valid standards regarding the provision of services other than auditing, limits of concentration of the audit business and, in general, other rules, regulations and standards regarding the independence of auditors.**

Comply X      Partially Comply       Explain

**43. The audit committee may call any employee or director of the Company, even ordering their appearance without the presence of any other manager.**

Comply X      Partially Comply       Explain

**44. The audit committee should be apprised on the operations of structural and corporate modifications intended for the company so that it can conduct a prior analysis and report to the board of directors regarding the corresponding economic conditions and impact on the accounts, particularly, as the case may be, the proposed exchange ratio.**

Comply X      Partially Comply       Explain       Non applicable

**45. The control and risk management policy identify at least:**

**a) The different financial and non-financial risk types (including operational, technological, legal, social, environmental, political and reputational) that the company faces, including contingent liability risks and other off-balance sheet risks among the financial and economic risks.**

**b) The level of risk that the Company considers acceptable.**

**c) The planned measures to mitigate the impact of identified risks, should they materialize.**

**d) Information systems and internal control are used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.**

Comply       Partially Comply X      Explain

**Explanation:**

Siemens Gamesa's general risk control and management Policy, approved by the Board of Directors on 23 September 2015, states that the Executive Committee will define the specific numeric values of the risk limits contemplated in the specific policies. While the Executive Committee defined, in relation to the Investment and Financing Policy, the cited specific numeric values for the limits on risks associated therewith, there are nevertheless others on which such a determination of risk level is verified by qualitative measurement references, and an objective underway is to update them with quantitative measures at the Company's risk levels.

**46. Under direct supervision of the audit committee or, as the case may be, a specialized committee of the board of directors, there is an internal risk control and management function carried out by an internal company unit or department expressly having the following duties:**

**a) Ensure the proper operations of risk control and management systems and, in particular, that all significant risks affecting the company are identified, managed and quantified.**

**b) Actively participate in drawing up the risk strategy and taking important decisions regarding the management thereof.**

**c) Ensure that the risk control and management systems suitably mitigate the risks within the framework of the policy defined by the board of directors.**

Comply X      Partially Comply       Explain



- 47. The members of the appointments and remuneration committee (or the appointments and remuneration committees when separate) are appointed in view of their adequate knowledge, capacity and experience to carry out their duties, and the majority of the members shall be independent directors.**

Comply  Partially Comply  Explain

- 48. High cap companies have an appointments committee and a remuneration committee.**

Comply  Explain  Non applicable

**Explanation:**

The Board of Directors of Siemens Gamesa approved on April 4, 2017 to merge the Appointments Committee and the Remunerations Committee into one only Committee in fulfillment of the Shareholders' agreement between Iberdrola, S.A., Iberdrola Participaciones, S.A.U. and Siemens AG detailed in section A. 6 of this report. With one Appointments and Remunerations Committee the two majority shareholders are represented in the two existing consultative Committees and hiring new senior managers is facilitated as the decision of just one Committee is necessary. After the merger between Gamesa and a subsidiary of Siemens AG the necessity of hiring new senior managers was foreseen to raise and to count with only one committee shall avoid possible inefficiencies and excessive bureaucracy.

- 49. The appointments committee consults the chairman of the board of directors and CEO of the company, especially on matters relating to executive directors.**

**Any Director may request that the appointments committee consider potential candidates to fill vacancies on the Board, if it finds them suitable.**

Comply  Partially Comply  Explain

- 50. The remuneration committee independently carries out its duties, which are, in addition to the duties attributed by law:**

- a) Propose the basic contract terms and conditions for senior management to the board of directors.**
- b) Check that the remuneration policy established by the Company is observed.**
- c) Regularly review the remuneration policy applied to board directors and senior management, including the remuneration systems involving shares and their application, and guarantee that individual remuneration is proportional to the consideration paid to the other directors and senior managers in the company.**
- d) Ensure that potential conflicts of interest do not harm the independence of external counsel provided to the committee.**
- e) Verify the information regarding the remuneration to directors and senior managers contained in the different corporate documents, including the annual directors' remuneration report.**

Comply  Partially Comply  Explain

**51. The remuneration committee consults the Chairman and Chief Executive of the Company, especially on matters relating to Executive Directors and Senior Management.**

Comply X      Partially Comply       Explain

**52. The composition and operating rules of the oversight and control committees are in the regulations of the board of directors and consistent with the rules and regulations applicable to the committees by law according to the recommendations above, including:**

**a) They exclusively comprise non-executive directors, with a majority of independent directors.**

**b) Their Chairmen are independent directors.**

**c) The board of directors appoints the members of these committees mindful of the knowledge, skills and experience of the directors and the duties of each committee; deliberates insofar as their proposals and reports; and renders accounts of their activity, holding them accountable for their work, during the first session of the board of directors following the respective committee meetings.**

**d) Committees may seek external advice when considering it necessary to discharge their duties.**

**e) Minutes shall be kept during their meetings and made available to all directors.**

Comply X      Partially Comply       Explain       Non applicable

**53. Oversight of compliance with the corporate governance rules, internal conduct codes and corporate social responsibility policy is attributed to one or among various committees under the board of directors that could be the audit, appointments or corporate responsibility committees (if existing), or even a specialized committee that the board of directors, in the discharge of its duties of self-organization, decides to create for such a purpose; committees that will have at least the following functions:**

**a) Oversight of compliance with internal codes of conduct and corporate governance rules of the company.**

**b) Oversight of the strategy for communication and relations with shareholders and investors, including small- and medium-sized shareholders.**

**c) Regular assessment of the suitability of the Company's Corporate Governance System to ensure that it complies with its mission to promote the corporate interest and, where pertinent, considers the legitimate interests of all other stakeholders.**

**d) Revision of the Company's Corporate Social Responsibility policy, ensuring that it targets the creation of value.**

**e) Tracking of the corporate social responsibility strategy and practices and assessment of its degree of compliance.**

- f) The oversight and assessment of the processes for relations with the different stakeholders.
- g) The assessing of all matters relating to the Company's non-financial risks, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordination of the non-financial data and diversity reporting process in accordance with the applicable legislation and benchmark international standards.

Comply  Partially Comply  Explain

**54. The corporate social responsibility policy includes the principles or commitments that the company voluntary assumes in its relationships with the different stakeholders, and identifies at least the following:**

- a) The corporate social responsibility policy objectives and development of support instruments.
- b) The corporate strategy regarding sustainability, the environment and social matters.
- c) The specific practices in matters relating to: shareholders, employees, clients, suppliers, social matters, environmental affairs, diversity, tax responsibility, human rights and illegal conduct prevention.
- d) The methods or systems for tracking the results from applying the specific practices mentioned in the letter above, associated risks and the management thereof.
- e) The non-financial risk, ethics and corporate conduct supervision mechanisms.
- f) Channels for communication, participation and dialog with stakeholders.
- g) The responsible communication practices that prevent informational tampering and safeguard integrity and honor.

Comply  Partially Comply  Explain

**55. The company reports on matters related to corporate social responsibility in a separate document or in the management report, and will use any of the internationally accepted methods to do so.**

Comply  Partially Comply  Explain

**56. The remuneration of directors should suffice to attract and retain directors with the desired profile and to compensate them for the dedication, qualifications and responsibilities that the post requires, but not so high as to compromise the independence of criteria of non-executive directors.**

Comply  Explain

**57. Executive directors shall have variable remuneration linked to the performance of the company and their personal performance, and remuneration through the delivery of shares, options or rights on shares and instruments referenced to the value of stock, and long-term savings systems such as pension plans, retirement programs or other social welfare systems.**

Remuneration to non-executive directors may be made via the delivery of shares when conditioned to be retained until the end of their tenure as directors. The foregoing will not apply to shares that the director needs to dispose to, as the case may be, to satisfy the costs related to their acquisition.

Comply  Partially Comply  Explain

**58. In case of variable remuneration, compensation policies incorporate limits and technical safeguards to ensure that such remuneration conserves a relation to the professional performance of its beneficiaries and not simply derived from the general progress of the markets or the industry in which the Company participates or other similar circumstances.**

And, in particular, the variable components of remuneration:

- a) Are linked to measurable performance criteria that are established in advance and contemplate the risk assumed to secure a result.
- b) Promote the sustainability of the company and include non-financial criteria appropriate for creating long-term value, namely compliance with the company's internal rules, procedures and policies for risk control and management.
- c) Are configured on the basis of a balance between attaining short-, medium- and long-term objectives for rewarding performance for sustained efforts during a period of time sufficing to appreciate the contribution to a sustainable creation of value, so that the elements for measuring this performance are not merely based on singular, occasional or extraordinary events.

Comply  Partially Comply  Explain  Non applicable

**59. The payment of one relevant part of the variable components of the remuneration differs for a minimum period of time sufficing to check that the previously established performance conditions have been met.**

Comply  Partially Comply  Explain  Not applicable

**60. Remuneration related to the profits of the Company take into account any reservations that are stated in the report of the external auditor's findings and that reduce profit.**

Comply  Partially Comply  Explain  Non applicable

**61. A relevant percentage of the variable remuneration to executive directors is linked to the delivery of shares or financial instruments referenced to its value.**

Comply X      Partially Comply       Explain       Non applicable

**62. Once the shares or options or rights to shares corresponding to the remuneration systems have been assigned, directors may neither transfer ownership of a number of shares equivalent to twice their annual fixed remuneration nor exercise stock options until a period of at least three years from assignment has elapsed.**

**The foregoing will not apply to shares that the director needs to dispose to, as the case may be, to satisfy the costs related to their acquisition.**

Comply X      Partially Comply       Explain       Non applicable

**63. The contractual agreements include a clause enabling the company to reclaim reimbursement of the variable components when payment has not been adjusted to the performance conditions or made attending to data whose inaccuracy is only subsequently appreciated.**

Comply X      Partially Comply       Explain       Non applicable

**64. Payments upon termination of the contract do not exceed an established amount equivalent to two years of the total annual remuneration and not settled until after the company has checked that the director has satisfied the previously established performance criteria.**

Comply X      Partially Comply       Explain       Non applicable

## **H** OTHER INFORMATION OF INTEREST

1. If there is a materially relevant aspect of corporate governance in the Company or Group entities that has not been discussed in other sections of this report, but which it is necessary to include to present more complete and reasoned information on the structure and governance practices in the Company or its Group, explain briefly.

### **(A.2)**

In addition to the information included in the table on the most significant changes to the shareholder structure throughout the fiscal year in section A.2, it is relevant to indicate that on 3 April 2017 IBERDROLA and Fidelity International Limited communicated to the CNMV the change of its percentage of voting rights in SIEMENS GAMESA as a consequence of the change of voting rights in the Company due to a capital increase. This information is not contained in the aforementioned table included in section A.2, as the inclusion of change of voting rights in the Company as operation description is not possible.

Additionally, OZ MASTER FUND LTD reported to the CNMV that on 13 January 2017 its percentage of voting rights linked to the execution of financial instruments in the Company dropped under 2% to 1.815% and on 17 March 2017 that percentage dropped under 1% threshold to 0.909%. This information is not contained in the aforementioned table as the inclusion of changes based on voting rights linked to the execution of financial instruments is not possible.

### **(A.3)**

In addition to the information provided in section A.3, the following previous members of the Board of Directors held the following number of shares at their resignation:

- Mr. Ignacio Martín San Vicente, had 124,373 shares of the Company.
- Mr. Juan Luis Arregui Ciarsolo, had 138,196 shares of the Company.
- Mr. Luis Lada Díaz, had 519 shares of the Company.
- Mr. José María Aracama Yoldi, had 207 shares of the Company.
- Mr. José María Aldecoa Sagastalola, had 500 shares of the Company.
- Mr. José María Vázquez Egusquiza, had no shares of the Company.
- Mr. Gerardo Codes Calatrava, had 20 shares of the Company.
- Mr. Francisco Javier Villalba Sánchez, had no shares of the Company.
- Mr. Klaus Helmrich, had no shares of the Company.
- Mr. Luis Javier Cortés Domínguez, had no shares of the Company.

It shall also be pointed out that the Board of Directors, in its meeting of October 20, 2017 approved the appointment by co-option of Mr. Alberto Alonso Ureba as independent director of the Company, appointment to be ratified in the next Shareholders' General Meeting, to fulfill the vacancy after Mr. Cortés's resignation on August 30, 2017. Mr. Alonso has no shares of the Company.

**(A.8)**

In addition to the information provided in section A.8, it shall be pointed out that Siemens Gamesa signed a liquidity contract with Santander Investment Bolsa, which was reported to the CNMV through Significant Event number 176071 on 31 October 2012. As a consequence of the publication of the new Circular 1/2017, of 26 April, of the CNMV regarding liquidity contracts the aforementioned liquidity contract was terminated on 30 June 2017 (Significant event number 254129) and a new liquidity contract was signed on 10 July 2017 which entered into force on 11 July 2017 (Significant event number 254428).

The CNMV was also notified of transactions carried out during the fiscal year 2017 within the scope of the referred two liquidity contracts via Significant Event numbers 247856, 252419, 254380 and 257734.

**(B.4)**

In addition to the information provided in section B.4, twelve shareholders holding a participation amounting to a total of fifty eight thousand seven hundred forty six (58,746) shares used the electronic voting system in the Ordinary General Shareholders Meeting in 2017.

**(B.7)**

In addition to the information provided in section B.7, the Board of Directors, in its meeting held on September 13, 2017, approved the change of the corporate website from [www.gamesacorp.com](http://www.gamesacorp.com) to [www.siemensgamesa.com](http://www.siemensgamesa.com). The change was registered in the Commercial Registry of Biscay on October 24, 2017 and was published in the Commercial Registry Gazette on November 2, 2017, in order to obtain its effectiveness according to article 11 bis of the Capital Companies Law.

**(C.1.2)**

In addition to the information provided in section C.1.2, it must be highlighted that on 30 August 2017 Mr. Luis Javier Cortés Domínguez, independent director, resigned as member of the Board of Directors and subsequently as member of the Audit, Compliance and Related Party Transactions Committee and this vacancy was fulfilled after the approval by the Board of Directors, in its meeting held on October 20, 2017, of the appointment by co-option of Mr. Alberto Alonso Ureba as independent director of the Company.

In relation to the appointment of Mr. Luis Javier Cortés it shall be pointed out that as established in the significant event nº 255530, clause 8.3.1 of the Shareholder's Agreement entered into by Iberdrola Participaciones, S.A. (Sociedad Unipersonal), Siemens AG and Iberdrola, sets forth that, as long as the Shareholder's Agreement remains in force, Siemens AG would support that Iberdrola proposes one of the independent directors forming part of the Audit, Compliance and Related Party Transactions Committee of SIEMENS GAMESA, as happened with Mr. Cortés. Without prejudice of the above, clause 8.6 of the Shareholder's Agreement establishes that the Appointments and Remunerations Committee of SIEMENS

GAMESA, when deliberating and deciding in respect of any appointment or dismissal of any director, including the aforementioned appointment of Mr. Cortés, may always act freely and under its own criteria, without being bound by any opinion or recommendation whatsoever.

In order to complement the information supplied in Section C.1.2, it should be pointed out that the Board of Directors of SIEMENS GAMESA agreed, in its meeting of October 20, 2017, the appointment of Mr. Juan Antonio García Fuente as Deputy Secretary non member of the Board of Directors.

Regarding the resignation of members of the Board of Directors during the fiscal year, as included in section C.1.2, it shall be remarked that section C.1.9 gives further information in this regard including the motives for their resignations.

### **(C.1.3)**

In addition to the information provided in section C.1.3, it must be highlighted that on 30 August 2017 Mr. Luis Javier Cortés Domínguez, independent director, resigned as member of the Board of Directors and subsequently as member of the Audit, Compliance and Related Party Transactions Committee and this vacancy was fulfilled after the approval by the Board of Directors, in its meeting held on October 20, 2017, of the appointment by co-option of Mr. Alberto Alonso Ureba as independent director of the Company.

In addition to the information provided in section C.1.3, the following is a brief profile of the Executive and Proprietary Directors:

### **EXECUTIVE DIRECTORS**

#### **Markus Tacke**

Born in Frankfurt (Germany). He is currently Chief Executive Officer of SIEMENS GAMESA RENEWABLE ENERGY, S.A.

He holds a Mechanical Engineering Degree from the Technical University of Darmstadt (Germany), Master Degree of Engineering by Cornell University (USA) and a PhD by the Technical University of Darmstadt (Germany).

With a great experience in the industry sector, he started his professional career in Ways&Freytag AG and joined Siemens group in 1998, having held a number of relevant positions: Head of the manufacturing Segment Rotor Manufacturing in the gas turbine plant Siemens owns in Berlin; Head of the Business Function Production within the Business Segment Industrial Steam Turbines, Head of the Business Segment Industrial Steam Turbines and CEO of the Business Unit Industrial Steam Turbines; last, CEO of the Business Unit Industrial Power within the Division Oil&Gas of the Sector Energy.

Since August 2013 and until April 2017, Mr. Markus Tacke held the post of CEO of Siemens Division Wind Power and Renewables.



### **Carlos Rodríguez-Quiroga Menéndez**

Born in Madrid. He currently holds the position of Member of and Secretary to the Board of Directors and Secretary (non Member) of the Appointments and Remunerations Committee of SIEMENS GAMESA RENEWABLE ENERGY, S.A.

He holds a Law Degree from the Complutense University of Madrid.

Diploma-holder of Employment Law from the Legal Practice School of Madrid.

Diploma-holder in Comparative Industrial Relations and in European Community Relations from the Secretariat of State for Relations with the European Community.

Practicing lawyer.

Currently he performs tasks as Director of or as Secretary to the Board of Directors, among other positions, in the following companies: Audiovisual Española 2000, S.A., Rodríguez-Quiroga Abogados, S.L. and member of the Fundación Pro Real Academia de Jurisprudencia y Legislación.

### **PROPRIETARY DIRECTORS**

#### **Rosa María García García**

Born in Madrid, she holds the position of Chairwoman of the Board of Directors of SIEMENS GAMESA RENEWABLE ENERGY, S.A.

Graduated from the Universidad Autónoma de Madrid (Spain) with a degree in Mathematics.

Since October 2011 to the present day, she has held the position of Chair and Chief Executive of Siemens España and since June 2016 the position of Chairwoman of the German Commerce Chamber in Spain.

Along her professional career she has held various management posts at WordPerfect and NEC Group and subsequently at Microsoft, where she has contributed to the development of a number of strategic projects; these positions include: Technical Support Manager at Microsoft Ibérica, Strategic Projects Manager at Microsoft Corporation, Global General Manager of Microsoft Corporation, Chair and Chief Executive of Microsoft Ibérica and Vice-Chair of Consumers and Online for Western Europe of Microsoft Corporation.

Furthermore, Ms Rosa María García has been a director of IBEX 35 companies such as Banesto, Bolsas y Mercados Españoles (BME), Bankinter and Acerinox.

#### **Sonsoles Rubio Reinoso**

Born in Segovia, she holds the position of Member of the Board of Directors and of the Appointments and Remuneration Committee of SIEMENS GAMESA RENEWABLE ENERGY, S.A.

She holds a degree in Economics and Business from the Universidad Autónoma of Madrid.

She completed her training as post graduated at ICEA, IESE and *Centro de Estudios Financieros*. She is also Certified Internal Auditor (Institute of Internal Auditors), Certified Fraud Examiner (Association of Certified Fraud Examiners), Certified Compliance&Ethics Professional (Society of Corporate Compliance and Ethics) and Leading Professional in Ethics & Compliance (Ethics & Compliance Initiative).

Sonsoles Rubio is Internal Audit Director of the Iberdrola Group. Her professional career has been performed in the internal audit department of enterprises like Repsol YPF, S.A., Holcim (España), S.A. (1999-2008) and Iberdrola, S.A., company she joined in 2008 as Internal Audit Manager of Renewable Business in Iberdrola Renovables, S.A. and later became Chief Compliance Officer.

She is Member of the Steering Committee of the *Instituto de Auditores Internos*.

Throughout her career she has published articles and given many talks in national and international conferences.

### **Lisa Davis**

Born in Idaho (U.S.), she holds the position of Member of the Board of Directors and of the Appointments and Remuneration Committee of SIEMENS GAMESA RENEWABLE ENERGY, S.A.

Graduated from the University of Berkeley (California, US) with a degree in chemical engineering.

Since August 2014 to the present day, she has been a member of the Managing Board of Siemens AG.

She has held various management posts at Exxon Corporation and Texaco and, subsequently, at Royal Dutch Shell (both in the US and the UK), during which time she has contributed to the development of the business related to hydrocarbons, fuels and alternative energies, and undertaken the following roles: Vice-Chair of the hydrocarbons supply for Europe, Vice-President of sales and marketing lubricants and bulk fuels Americas and Executive Vice-Chair of strategy, portfolio and alternative energy of Royal Dutch Shell.

### **Mariel von Schumann**

Born in Brussels (Belgium), she holds the position of Member of the Board of Directors of SIEMENS GAMESA RENEWABLE ENERGY, S.A.

Graduated from the ICHEC University of Brussels (Belgium) with a degree in Economics and Business Administration and Management and she has completed a number of postgraduate programmes, including a Masters in International Business Administration and Management at EAP-ESCP Europe.

She is currently Siemens Chief of Staff and since November 2013 Head of Governance & Markets Department of Siemens AG.

Among her professional career she has held various management posts in Siemens AG in the departments of Mergers and Acquisitions, Strategy and Investor Relations, pointing out, among others, the following positions: General Manager of mergers and acquisitions in the Corporate Finance department and manager of the Investor Relations department.

### **Ralf Thomas**

Born in Nürnberg (Germany), he holds the position of Member of the Board of Directors of SIEMENS GAMESA RENEWABLE ENERGY, S.A.

Graduated from the University of Erlangen-Nuremberg (Germany) with a degree in Economics and Business Administration; he also holds a Doctorate in Company Tax Accounting.

Since September 2013 to the present day, he has been a member of the Managing Board and chief financial officer of Siemens AG.

He has held various management posts in a number of companies of the Siemens Group; these positions include: Head of Accounting and Treasury of Siemens Ltd. South Africa, Financial Manager of the Angiography and Fluoroscopic and Radiographic Systems of Siemens Medical Solutions and Head of Accounting, Control, Information and Corporate Finance Taxation of Siemens.

### **Michael Sen**

Born in Korschbroich (Germany). He is currently member of the Board of Directors of SIEMENS GAMESA RENEWABLE ENERGY, S.A.

He holds a Degree in business and management administration by the Technical University of Berlin.

He has developed his professional career in Siemens AG holding different posts in the corporate development and corporate finance areas as chief financial officer of the information solutions and applications. Likewise he held the post as senior vice president of strategy transformation and investor relations. For 7 years he worked as chief financial officer of the healthcare sector in Siemens. In 2015 he joined E.ON SE as chief financial officer and since 2017 he is member of the Managing Board of Siemens AG.

### **(C.1.5)**

As additional information to section C.1.5 it shall be pointed out that Siemens Gamesa, in fulfillment of the “Royal Decree-law 18/2017, of November 24, in virtue of which the Code of Commerce, the restated text of the Capital Companies Law approved by the Legislative Royal Decree 1/2010, of July 2, and the Law 22/2015, of July 20, of Accounts Audit are being amended, on non-financial information and diversity”, has applied, during the fiscal year ended on September 30, 2017 and in relation to the Board of Directors and with the “Policy on selecting directors” approved by the Board of Directors on September 23, 2015, the “Diversity and inclusion policy” approved by the Board of Directors on the same date.

The aforementioned diversity policy has as purpose to promote respect for the law, equality and inclusion with the aim of guaranteeing that there is no discrimination by reason of race, gender, marital status, ideology, political opinions, nationality, religion or any other personal, physical or social condition, and also establishes that the employee selection, promotion and training or any other provision will be based on the merits and capabilities required for the different positions.

During the fiscal year ended on September 30, 2017, the Board of Directors approved the appointment, or appointments became effective, of a total of ten directors, who include a diversity of education and professional experience, age, nationality and gender, as can be red in their biographic and professional profiles in the corporate website of Siemens Gamesa.

Further detail about goals, measures taken and implementation method of the diversity policy in relation to the Board of Directors during the fiscal year can be found in the section C.1.5 itself.

#### **(C.1.7)**

In addition to the information provided in section C.1.7, Mr. Francisco Javier Villalba Sánchez was external proprietary director of the Company since his appointment on 25 February 2015 at the request of Iberdrola, S.A., subsequently re-elected on 8 May 2015, until his resignation on 29 March 2017.

Likewise, Mr. Gerardo Codes Calatrava was external proprietary director of the Company from his appointment on 14 September 2016 at the request of Iberdrola subsequently re-elected on 25 October 2016, until his resignation on 3 April 2017.

Finally, Mr. Klaus Helmrich was external proprietary director of the Company from his conditional appointment on 25 October 2016, at the request of Siemens AG, which became effective on 3 April 2017, until his resignation on 8 May 2017.

#### **(C.1.11)**

In addition to the information provided in section C.1.11, Mr. Markus Tacke held the position of CEO Offshore of Siemens Gamesa as of the effectiveness of the Merger (3 April 2017) until his appointment as member of the Board of Directors and CEO on 8 May 2017.

**(C.1.12)**

In addition to the information provided in section C.1.12, the following former Directors hold and current Directors held the following posts in the Board of Directors of the following companies listed in official security markets different from the Siemens Gamesa group:

<b>Director's name or company name</b>	<b>Company name of the listed entity</b>	<b>Position</b>
Arregui Ciarsolo, Juan Luis	ENCE ENERGÍA AND CELULOSA, S.A.	Chairman
	CARTERA INDUSTRIAL REA, S.A.	Vice Chairman 1º
Lada Díaz, Luis	INDRA SISTEMAS, S.A.	Member of the Board of Directors and member of the Audit and Compliance Committee
	ENCE, ENERGÍA Y CELULOSA, S.A.	Member of the Board of Directors and member of the Audit Committee
Aldecoa Sagastasoloa, José María	VISCOFAN, S.A.	Member of the Board of Directors, member of the Audit Committee and Lead Independent Director
García García, Rosa María	ACERINOX, S.A.	Member of the Board of Directors and member of the Audit Committee (until her resignation on April 4, 2017)
	BANKINTER, S.A.	Member of the Board of Directors and Chairwoman of the Remunerations Committee (until her resignation on April 4, 2017)
Sen, Michael	E.ON SE	Chief Financial Officer (until March 31st, 2017)

**(C.1.15)**

In addition to the information provided in section C.1.15, please note that:

a) pursuant to articles 45.3 and 45.6 of the Bylaws of SIEMENS GAMESA and as agreed by virtue of the fifteenth resolution of the agenda of the 2015 General Shareholders Meeting, the remuneration of the Company to all directors as fixed annual remuneration and allowances for their dedication and attendance does not exceed the maximum amount of three million euro (€3,000,000) as established by the cited General Shareholders Meeting, as such consideration is compatible with and independent of the remuneration received by executive directors.

b) remuneration to the Board of Directors includes, in accordance with the Annual Directors' Remuneration Report, the amount corresponding to the part of the incentive comprising shares delivered during 2017, which was accrued by the previous Chairman and CEO, Mr. Ignacio Martín, regarding the long-term incentive approved by the 2013 General Shareholders Meeting, whose measurement period concluded on 31 December 2015. The cited amount was calculated by the average listed share price on the resolution date for the shares delivered in fiscal year 2017 (€20.50). In particular, the former chairman and CEO's right to the delivery of 189,759 shares was recognized, verified at 50% (94,880 shares, which amounted to the delivery of 61,672 after the appropriate tax withholding) within the first 90 days of fiscal year 2016 and the remaining 50% (94,879 shares, which amounted to the delivery of 61,671 after the appropriate tax withholding), were delivered during the first 90 days of fiscal year 2017, being this second amount the one included in the remuneration to the Board of Directors of the present 2017 annual corporate governance report.

c) likewise, the remuneration of the Board of Directors includes, according to the Annual Report about the remunerations of the members of the Board, the amounts of the following recognized concepts to the previous chairman and CEO, Mr. Ignacio Martín during the fiscal year: extraordinary bonus linked to the effectiveness of the Merger and severance pay linked to the exercise of the change of control clause and 50% of the non-competition clause implemented at his departure from the Company.

d) the information shown therein does not coincide with the figure in Note 20 of the Individual Report and Note 31 of the Consolidated Report, which form part of the financial statements for fiscal year 2017 as the accounting criteria for the annual accounts does not take into account in its results the first quarter of GAMESA before the effectiveness of the Merger.

#### **(C.1.16)**

In addition to the information provided in section C.1.16, please note that:

a) the remuneration to the top management includes the amount corresponding to the part of the incentive comprising shares delivered during 2017, which was accrued by all members of top management regarding the long-term incentive approved by the 2013 General Shareholders Meeting, whose measurement period concluded on 31 December 2015. In particular, Senior Management's right to the delivery of 447,580 shares was recognized, verified at 50% (223,790 shares, though the number of shares actually delivered to each beneficiary was determined after applying the corresponding tax withholding at the average listed share price on the resolution date (€15.81)) within the first 90 days of fiscal year 2016 and the remaining 50% (223,790 shares, though the number of shares actually delivered to each beneficiary was determined after applying the corresponding tax withholding at the average listed share price on the resolution date (€20.50)), were delivered within the first 90 days of fiscal year 2017, being this second amount the one included in the remuneration of the top management of the present 2017 annual corporate governance report.

b) likewise, the figure for the remuneration of the Top Management includes the amount of a severance payment and the amount due to a non-competition clause of a Top Manager, and likewise the extraordinary bonus linked to the effectiveness of the Merger for another Top Manager.

c) the information shown therein does not match the figures in Note 20 of the Individual Report and Note 32 of the Consolidated Report, which form part of the financial statements for fiscal year 2017, as the accounting criteria for the annual accounts does not take into account in its results the first quarter of GAMESA before the effectiveness of the Merger.

d) After the closing of the fiscal year 2017 certain members of the Senior Management left the Company and other joined it. On October 5, 2017 Mr. José Antonio Cortajarena Manchado, General Secretary, ended his relationship with SIEMENS GAMESA and on October 20, 2017 Mr. Jürgen Bartl was appointed new General Secretary. Likewise, Mr. Michael Hannibal, Offshore CEO, left SIEMENS GAMESA with effects on November 1, 2017 and Mr. Andreas Nauen was appointed his substitute as Offshore CEO. At last and as announced, Mr. Andrew Hall, Chief Financial Officer, will leave SIEMENS GAMESA with effects on December 1, 2017 and Mr. Miguel Ángel López will be the new Chief Financial Officer of the Company.

**(C.1.17)**

In addition to the information provided in section C.1.17, the following external proprietary director, who resigned on 8 May 2017 as member of the Board of Directors SIEMENS GAMESA held the following position as member of the Board of Directors of significant shareholder companies and/or entities of its group in the fiscal year 2017:

<b>Name or company name of the board member</b>	<b>Significant shareholder's name</b>	<b>Post</b>
Helmrich, Klaus	SIEMENS AKTIENGESELLSCHAFT	Member of the Managing Board

The former Director Mr. Gerardo Codes Calatrava held the following relevant relationships, different from those in the previous paragraph, which related them to the significant shareholders and/or in entities of its group:

<b>Related board member's name or company name</b>	<b>Related significant shareholder's name or company name</b>	<b>Relationship description</b>
Codes Calatrava, Gerardo	IBERDROLA, S.A.	Director of Global Regulation Legal Services and Corporate Affairs of the Iberdrola Group

It shall also be pointed out that Mr. Markus Tacke held the post as CEO of Siemens Wind Power Division, part of the SIEMENS Group, until the date of effectiveness of the Merger on April 3, 2017.

### **(C.1.18)**

In addition to the information provided in section C.1.18, the Board of Directors of Siemens Gamesa approved in its meeting held on November 30, 2017 the amendment of the Board of Directors Regulations. The purpose of the amendment has been to: (i) reflect the current corporate name of the Company (Siemens Gamesa Renewable Energy, S.A.); and (ii) adapt the period of notice required to convene the meetings of the Board of Directors and, consequently, provide the directors with all information relevant to the meetings, to two types of scenarios.

### **(C.1.21)**

In addition to the information provided in section C.1.21, the following directors resigned during fiscal year 2017:

- Mr. Francisco Javier Villalba Sánchez, external proprietary director, informed the Company on 29 March 2017, according to Significant Event nº 250139 submitted to the CNMV on 30 March 2017, of his resignation as member of the Board and of the Remunerations Committee.
- Mr. Juan Luis Arregui Ciarsolo, independent director; Mr. Luis Lada Díaz, independent director; Mr. José María Aracama Yoldi, independent director; Mr. Jose María Aldecoa Sagastasoloa, independent director; Mr. José María Vázquez Egusquiza, independent director; and Mr. Gerardo Codes Calatrava, external proprietary director, tendered their resignation to the Company on 19 September 2016 at the approval of the call of the Extraordinary Shareholders' General Meeting of 25 October 2016 so that the composition of the Board of Directors as of the date of effectiveness of the Merger complied with the Common Terms of Merger. Therefore on 3 April 2017 their resignation became effective with the registration of the deed of Merger in the Commercial Registry of Biscay.
- Mr. Ignacio Martín San Vicente, executive director, informed the Company on 8 May 2017, according to Significant Event nº 251768 submitted to the CNMV on 9 May 2017, of his resignation as CEO.
- Mr. Klaus Helmrich, external proprietary director, informed the Company on 8 May 2017, according to Significant Event nº 251768 submitted to the CNMV on 9 May 2017, of his resignation as member of the Board.
- Mr. Luis Javier Cortés Domínguez, independent director, informed the Company on 30 August 2017, according to Significant Event nº 256051 submitted to the CNMV on 1 September 2017, of his resignation as member of the Board and of the Audit, Compliance and Related Party Transactions Committee.

### **(C.1.29)**

In addition to the information provided in Section C.1.29 it shall be pointed out that during fiscal year 2017 the former Executive Committee had two meetings, the former Appointments Committee had two meetings and the former Remunerations Committee had three meetings.



**(C.1.30)**

In addition to the information provided in section C.1.30, one director was absent for four sessions, one director was absent for two sessions, and three directors were respectively absent for one meeting each of them, and in all these cases the directors delegated their attendance by proxy to another director of the same category yet with no specific instructions.

Likewise, in addition to the information provided in Section C.1.30, in this regard, non-attendance was not considered in cases of directors in a conflict of interest who, according to article 31 of the Regulations of the Board of Directors, refrained from attending and intervening in the deliberations, voting, decision-making and execution of transactions and matters in connection with the conflict.

**(C.1.33)**

In addition to the information provided in Section C.1.33, the Secretary Director of the Board of Directors, as lawyer and in accordance with article 21.5 of the Regulations of the Board of Directors, has acted in the capacity of legal counsel of the Board of Directors. Article 21.4 of the Regulations of the Board of Directors explains the duties of the Secretary, in addition to the duties assigned thereto by law or the Corporate Governance Standards.

Secretary of the Board of Directors of SIEMENS GAMESA, Carlos Rodríguez-Quiroga Menéndez, also Executive Director thereof, was last reelected to this position by the General Shareholders' Meeting on 20 June 2017.

**(C.1.35)**

In addition to the information provided in section C.1.35, article 28 of the Regulations of the Audit, Compliance and Related Party Transactions Committee of SIEMENS GAMESA regulate the relationships of the cited committee with the External Auditor. The full text is available at [www.siemensgamesa.com](http://www.siemensgamesa.com) and the references indicated in section C.1.35 to the domain [www.gamesacorp.com](http://www.gamesacorp.com) must be understood as addressed to [www.siemensgamesa.com](http://www.siemensgamesa.com), as the Board of Directors, in its meeting held on September 13, 2017, approved the change of the corporate website from [www.gamesacorp.com](http://www.gamesacorp.com) to [www.siemensgamesa.com](http://www.siemensgamesa.com). The change was registered in the Commercial Registry of Biscay on October 24, 2017 and was published in the Commercial Registry Gazette on November 2, 2017, in order to obtain its effectiveness according to article 11 bis of the Capital Companies Law.

**(C.1.37)**

As a complement to the information provided in section C.1.37, it shall be noted that in the calculation of 0.18% only the fees not audit related have been considered as in previous years, including also those related to the former Gamesa Group for the period between January 1 to April 2, 2017, amounting to 11 thousand euros, divided by the total fees of the auditor (both audit related and not audit related) amounting to 6,089 thousand euros (also

considering those relating to the former Gamesa Group for the period between January 1 and April 2, 2017).

If other attest services amounting 1,580 thousand euros were also consider as part of Amount for other tasks not related to auditing (thousands of euros) and it is only divided between the total audit services (which amount to 4,498 thousand euros), this percentage would represent a 35%.

**(C.1.44)**

In addition to the information provided in section C.1.44, it shall be pointed out that Siemens Gamesa as Company member of the Siemens AG Group has accessed with effective date of October 1, 2017, to the insurance program of the Siemens Group which includes all risk material damages policy, liability policy, transport, chartering vessels and construction all risk policy. If the Company shall loose the category as member of the Siemens AG Group its right to access the aforementioned insurance program shall be declined.

**(C.1.45)**

In relation to the information provided in section C.1.45 regarding the CEO it shall be pointed out that his contract, and as included in the Annual report about the remunerations of the members of the Board, an obligation of post-contractual non-competition for a one year period is included which is paid with a base salary payable on a 50% at the termination and the other 50% after six months have passed since termination. Therefore the severance pay of a one year fixed salary included in C.1.45 and the aforementioned post-contractual non-competence obligation equal to a two year of fixed salary remuneration aligned with best practices and in fulfillment of Recommendation 62 of the GGC.

In addition to the information provided in section C.1.45, upon the announcement calling the SIEMENS GAMESA 2017 General Shareholders' Meeting, information was made available to shareholders regarding the safeguard and guarantee clauses regarding members of the top management. In particular, this information was included in the Company's "2016 Annual Corporate Governance Report", which was included in the complementary Management Report of the Annual Financial Statements corresponding to the year ended on 31 December 2016.

**(C.2.1)**

In addition to the information provided in section C.2.1 the references indicated to the domain [www.gamesacorp.com](http://www.gamesacorp.com) must be understood as addressed to [www.siemensgamesa.com](http://www.siemensgamesa.com), as the Board of Directors, in its meeting held on September 13, 2017, approved the change of the corporate website from [www.gamesacorp.com](http://www.gamesacorp.com) to [www.siemensgamesa.com](http://www.siemensgamesa.com). The change was registered in the Commercial Registry of Biscay on October 24, 2017 and was published in the Commercial Registry Gazette on November 2, 2017, in order to obtain its effectiveness according to article 11 bis of the Capital Companies Law.

Likewise in addition to the information provided in paragraph C.2.1, Mr. Carlos Rodríguez-Quiroga Menéndez held the position of Secretary non-member of the Audit, Compliance and Related Party Transactions Committee until October 16, 2017, date on which the referred Committee approved to appoint Mr. Juan Antonio García Fuentes as Secretary non-member.

Furthermore, Mr. Carlos Rodríguez-Quiroga holds the position as Secretary non-member of the Appointments and Remunerations Committee.

It should also be mentioned that as a result of the merger agreement signed between GAMESA and SIEMENS WINDHOLCO, and as reported to the CNMV on 17 June 2016 via Significant Event No. 239868, an Independent Directors Committee was created, likewise known as Merger Committee, and exclusively made up of independent directors tasked with fostering the Merger until it becomes effective, which occurred on 3 April 2017.

The variations occurring in the committees of the Board of Directors during and since the closure of the fiscal year are listed below:

### **Executive Committee**

Mr. Juan Luis Arregui Ciarsolo, independent director, Mr. Luis Lada Díaz, independent director, Mr. Jose María Aldecoa Sagastasoloa, independent Director and Mr. Gerardo Codes Calatrava, external proprietary director, tendered their resignation to the Company on 19 September 2016 at the approval of the call of the Extraordinary Shareholders' General Meeting of 25 October 2016 so that the composition of the Board of Directors as of the date of effectiveness of the Merger complied with the Common Terms of Merger. Therefore on 3 April 2017 their resignation as members of the Board and of the Executive Committee became effective with the registration of the deed of Merger in the Commercial Registry of Biscay.

Mr. Ignacio Martín San Vicente, executive Director, informed the Company on 8 May 2017, according to Significant Event nº 251768 submitted to the CNMV on 9 May 2017, of his resignation as CEO and subsequently as Chairman of the Executive Committee.

The Executive Committee has no members at the moment and therefore the Committee is not active, even though its formal suppression has not been approved.

### **Audit, Compliance and Related Party Transactions Committee**

The Board of Directors of 4 April 2017, according to the Significant Event 250331 submitted to the CNMV on 5 April 2017, approved the re-naming of the Audit and Compliance Committee to the "Audit, Compliance and Related Party Transactions Committee" and determined at three (3) the number of members of the Audit, Compliance and Related Party Transactions Committee.

The new members of the Audit, Compliance and Related Party Transactions Committee approved by the Board on 4 April 2017 were Ms. Swantje Conrad and Mr. Luis Javier Cortés Domínguez. Ms. Gloria Hernández García remained as Chairwoman of the Committee.

On 30 August 2017 Mr. Luis Javier Cortés Domínguez resigned as member of the Board of Directors and subsequently as member of the Audit, Compliance and Related Party Transactions Committee and this vacancy in the Board and in the aforementioned Committee was fulfilled after the approval by the Board of Directors, in its meeting held on October 20, 2017, of the appointment by co-option of Mr. Alberto Alonso Ureba as independent director of the Company.

### **Appointments and Remunerations Committee**

The Board of Directors of 4 April 2017, according to the Significant Event 250331 submitted to the CNMV on 5 April 2017, approved the merger of the Appointments Committee and the Remunerations Committee into a single committee under the name of “Appointments and Remunerations Committee” and fixed at five (5) the number of members of the Appointments and Remunerations Committee.

The new members of the Appointments and Remunerations Committee approved by the Board of Directors on 4 April 2017 were: Ms. Lisa Davis, Ms. Swantje Conrad, Mr. Klaus Rosenfeld and Ms. Sonsoles Rubio Reinoso. Mr. Andoni Cendoya Aranzamendi remained as Chairman of the merged Committee.

### **(C.2.5)**

In addition to the information provided in section C.2.5 the references indicated to the domain [www.gamesacorp.com](http://www.gamesacorp.com) must be understood as addressed to [www.siemensgamesa.com](http://www.siemensgamesa.com), as the Board of Directors, in its meeting held on September 13, 2017, approved the change of the corporate website from [www.gamesacorp.com](http://www.gamesacorp.com) to [www.siemensgamesa.com](http://www.siemensgamesa.com). The change was registered in the Commercial Registry of Biscay on October 24, 2017 and was published in the Commercial Registry Gazette on November 2, 2017, in order to obtain its effectiveness according to article 11 bis of the Capital Companies Law.

### **(D.2)**

In addition to the information provided in section D.2, this information coincides with Note 33 of the Consolidated Report incorporated in the 2017 Financial Statements, pointing out that the accounting criteria for the annual accounts does not take into account in its results the first quarter of GAMESA before the effectiveness of the Merger. The amount of significant transactions between the Company and/or entities of its Group and Iberdrola, S.A. during the first quarter of 2017, for sale of goods and services, was 247,170 thousand euro.

It should also be noted that the amount attributed to “Received services” of IBERDROLA, S.A., included in cited Note 33 of the Consolidated Report in relation to the period April-September 2017, corresponds to the supply of electricity to facilities of the SIEMENS GAMESA Group by IBERDROLA though this amount was not included in section D.2, since it did not merit consideration as relevant. The amount for “received services” of IBERDROLA, S.A. for the same concept, for the period January-March 2017, was 1,751 thousand euro.

Regarding the amount attributed to “Sales and services rendered” of Siemens Group, included in cited Note 33 of the Consolidated Report (2,223 thousand euro), it shall be remarked that it was not included in Section D.2 as none of its transactions individually did merit consideration as relevant, taking as relevant only those transactions for an amount over 1,000 thousand euro. The same relevance criteria has been applied for those transactions included in “Purchases and services received” of Siemens Group in the same Note 33, having only included in Section D.2 those with an amount over the aforementioned threshold and aggregated by Siemens Gamesa Group companies. The amount of the transactions included in “Purchases and services rendered” of Siemens Group in the referred Note 33 but not included in section D.2 is 32,217 thousand euro.

**(D.4)**

To complement the information provided in paragraph D.4, please note that:

- a) SIEMENS GAMESA companies established in countries or territories considered to be tax havens according to Law 1080/1991 of 5 July 1991, are classified as operating companies and exclusively carry out ordinary business activities.
- b) SIEMENS GAMESA has no transactions with these companies of the Siemens Gamesa Group in countries or territories considered to be tax havens according to Decree Law 1080/1991 of 5 July, rather they affect other companies in the Group that are parent companies of the different businesses, and these transactions are:

<b>Company name of the entity in its group</b>	<b>Brief description of the transaction</b>	<b>Report (thousands of euros)</b>
Gamesa Singapore Private Limited	Intercompany financing interests	156
Gamesa Cyprus Limited	Intercompany financing interests	(11)
Gamesa Mauritius LTD	Intercompany financing interests	18
Gamesa Mauritius LTD	Intercompany sales and service rendering	47
Gamesa Eolica SL, Jordan	Intercompany sales and service rendering	639
Gamesa Eólica S.L. "Branch Jamaica"	Intercompany sales and service rendering	47

**(D.5)**

In addition to the information provided in section D.5, this information coincides with Note 33 of the Consolidated Report incorporated in the 2017 Financial Statements, pointing out that the accounting criteria for the annual accounts does not take into account in its results the first quarter of GAMESA before the effectiveness of the Merger. The amount for other related party transactions of the Company, during the aforementioned 2017 first quarter, was 39,887 thousand euro.

2. Within this paragraph can also be included any other information, clarification or array related to previous paragraphs of the report to the extent that they are relevant and not repetitive.

Specifically, indicate whether the company is subject to legislation different from the Spanish legislation on corporate governance and, where applicable, include the information that is required that is different from that specified in this report.

3. The company may also indicate whether it has acceded voluntarily to other ethical principles or codes of good practice, international, regional or other. In that case, the code in question and the date of accession shall be identified. In particular, indicate if the company has acceded to the Good Tax Practices Code, of July 20, 2010.

SIEMENS GAMESA has adhered voluntarily to various codes of ethics or codes of practice, these being the following:

a) "United Nations Global Compact", which is promoted by the United Nations and its goal is the commitment and support to promote the ten principles of human and labor rights, environmental protection and the fight against corruption. SIEMENS GAMESA voluntarily acceded, as of February 2, 2005, and annually publishes a Progress Report (COP) of review of compliance with these principles.

b) "Global Reporting Initiative (GRI)" which is promoted by the NGO Global Reporting Initiative. Its goal is to create an environment for the exchange of transparent and reliable information on sustainability through the development of an application framework common to all kinds of organizations. SIEMENS GAMESA acceded voluntarily as of December 14, 2005.

c) "Caring for Climate: The business leadership platform", promoted as an initiative of the UN Global Compact. Its goal is the involvement of businesses and governments in taking action on climate change, energy efficiency, reduction of emissions of greenhouse gases (GHGs) and positive collaboration with other public and private institutions. SIEMENS GAMESA acceded voluntarily as of June 18, 2007.

d) "Principles of Empowerment of Women", promoted by UN Women / UN Global Compact of the United Nations and aiming to build stronger economies, establish a more stable and just society, achieve compliance development, sustainability and human rights and improve the quality of life of women, men, families and communities. SIEMENS GAMESA acceded voluntarily as of December 22, 2010.

e) "Code of Conduct for the Development of Wind Farms in the State of New York," sponsored by the Office of the Attorney General of the State of New York (United States) and aiming to promote economic development and renewable energy, and promote public integrity in developing wind farms. SIEMENS GAMESA acceded voluntarily as of March 1, 2012.

f) "Prince of Wales Business Leaders Group on Climate Change" sponsored by The Prince of Wales Corporate Leaders Group on Climate Change. SIEMENS GAMESA has added its signature successively to the releases of Carbon Price (2012), Cancun (2010), Copenhagen (2009) and Poznan (2008) about climate change in the United Nations Framework Convention of the United Nations on Climate Change (UNFCCC). These accessions represent a call from the international business community to foster policies and take actions to combat climate change. SIEMENS GAMESA acceded voluntarily to the "Prince of Wales Business Leaders Group on Climate Change" as of January 21, 2013.

g) "Diversity Charter in Spain", promoted by the Fundación Diversidad, is an initiative supported by the European Commission and the Equality Ministry of Spain, so that the companies that voluntarily sign the Diversity Charter respect the current legislation in opportunity equality and against discrimination, and assume the basic guideline principles established in the declaration. SIEMENS GAMESA acceded voluntarily to the "Diversity Charter in Spain" as of November 3, 2014.

h) "American Business Act on Climate Pledge", promoted by the government of the United States of America with a view to backing the fight against climate change and calling on its parties to adopt a firm commitment at the Paris Summit (COP 21) on 30 November 2015.

i) "Paris Pledge for Action", an inclusive initiative from the French presidency of the COP21 managed by the University of Cambridge Institute for Sustainability Leadership (CISL) that invites companies, regions, cities and investors to join together and take action to further the results of the ONU's Paris Agreement on Climate Change. Over 400 companies, 150 cities and regions, and 120 investors have currently joined this initiative. SIEMENS GAMESA voluntarily adhered to this initiative on 4 December 2015.

Regarding the Code of Good Tax Practices of 20 July 2010, the Board of Directors of SIEMENS GAMESA approved the adherence thereto in its session on 22 February 2017 and on 21 March 2017 the Company was officially incorporated to the list of companies adhered to the Code of Good Tax Practices.

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting held on November 30, 2017.

Indicate whether any Directors voted against or abstained from the approval of this report.

Yes

No

Name or company name of director who did not vote in favor of the adoption of this report	Reasons (against, abstention, absence)	Explanation of the reasons

CARLOS RODRIGUEZ-QUIROGA MENÉNDEZ, WITH NATIONAL IDENTITY CARD NUMBER 276302 A, SECRETARY OF THE BOARD OF DIRECTORS OF "SIEMENS GAMESA RENEWABLE ENERGY, S.A." WITH REGISTERED OFFICE IN ZAMUDIO (VIZCAYA), AT PARQUE TECNOLÓGICO DE BIZKAIA, BUILDING 222 WITH EMPLOYER IDENTIFICATION NUMBER A-01011253.

HEREBY CERTIFY:

That the text of the consolidated management report for 2017 of SIEMENS GAMESA RENEWABLE ENERGY, S.A., authorized for issue by the Board of Directors at its meeting held on November 30, 2017, is the content of the preceding 155 sheets of unstamped paper, on the obverse only, and for authentication purposes, bear the signature of the President and the Secretary of the Board of Directors on its first sheet and the stamp of the Company in the total remaining sheets.

The directors listed below hereby so ratify by signing below, in conformity with Article 253 of the Spanish Limited Liability Companies Law.

\_\_\_\_\_  
Rosa María García García  
Chairwoman

\_\_\_\_\_  
Markus Tacke  
CEO

\_\_\_\_\_  
Carlos Rodríguez-Quiroga Menéndez  
Secretary of the Board of Directors

\_\_\_\_\_  
Lisa Davis  
Member of the Board of Directors

\_\_\_\_\_  
Swantje Conrad  
Member of the Board of Directors

\_\_\_\_\_  
Klaus Rosenfeld  
Member of the Board of Directors

\_\_\_\_\_  
Sonsoles Rubio Reinoso  
Member of the Board of Directors

\_\_\_\_\_  
Ralf Thomas  
Member of the Board of Directors

\_\_\_\_\_  
Mariel von Schumann  
Member of the Board of Directors

\_\_\_\_\_  
Gloria Hernández García  
Member of the Board of Directors

\_\_\_\_\_  
Michael Sen  
Member of the Board of Directors

\_\_\_\_\_  
Andoni Cendoya Aranzamendi  
Member of the Board of Directors

\_\_\_\_\_  
Alberto Alonso Ureba  
Member of the Board of Directors



Statement by the Secretary of the Board of Directors to let the record reflect that: (i) Ms. Lisa Davis and Mr. Ralf Thomas do not sign this document as they have not physically attended the meeting of the Board of Directors due to force majeure; that (ii) both have delegated their representation and vote for the items included in the agenda to the director Mr. Michael Sen, and that (iii) Michael Sen, who holds an express authorization conferred for these purposes by the aforementioned directors, has signed this document on their behalf. It is also stated that Mr. Klaus Rosenfeld attends the meeting by telephone and therefore he does not sign this document and that Ms. Swantje Conrad has signed this document on his behalf in virtue of an express authorization conferred for these purposes by Mr. Klaus Rosenfeld.

Madrid, November 30, 2017. In witness whereof

Approval of the Chairwoman

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Rosa María García García  
Chairwoman

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Carlos Rodríguez-Quiroga Menéndez  
Secretary of the Board of Directors

Auditor's report on information relating to the internal control over financial reporting (ICFR) for 2017

SIEMENS GAMESA RENEWABLE ENERGY, S.A.

(Translated from the original in Spanish)

(Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails)

Auditor's report on information relating to the internal control over financial reporting (ICFR) of SIEMENS GAMESA RENEWABLE ENERGY, S.A. for 2017

To the Directors,

At the request of the Board of SIEMENS GAMESA RENEWABLE ENERGY, S.A. (hereinafter the Company), and in accordance with our proposal dated November 24, 2017, we applied certain procedures to the accompanying "ICFR-related information" included in the 2017 Corporate Governance Report (English version pages 63 to 78) for SIEMENS GAMESA RENEWABLE ENERGY, S.A. and subsidiaries (hereinafter the Group), which summarizes the Group's internal control procedures regarding annual financial information.

The Board of Directors is responsible for taking appropriate measures to reasonably ensure the implementation, maintenance, supervision, and improvement of a correct internal control system, as well as preparing and establishing the content of all the related accompanying ICFR data.

It is worth noting that apart from the quality of design and operability of the Group's internal control system as far as annual financial reporting is concerned, it only provides a reasonable, rather than absolute, degree of security regarding its objectives due to the inherent limitations to the internal control system as a whole.

Throughout the course of our audit work on the financial statements, and in conformity with Technical Auditing Standards, the sole purpose of our evaluation of the Group's internal control system was to establish the scope, nature, and timing of the audit procedures performed on its financial statements. Therefore, our internal control assessment performed for the audit of the aforementioned financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial information.

For the purpose of issuing this report, we exclusively applied the specific procedures described below and indicated in the Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting on Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of the abovementioned procedures performed was limited and substantially less than that of an audit carried out in accordance with generally accepted accounting principles, we have not expressed an opinion regarding its efficacy, design, or operational effectiveness regarding the Group's 2017 financial data described in the accompanying ICFR information. Consequently, had we applied additional procedures to those established by the Guidelines mentioned above or had we carried out an audit or a review of the internal control over the regulated annual financial reporting information, other matters have been disclosed which would have been reported to you.

Likewise, since this special engagement does not constitute an audit of the financial statements or a review in accordance with the Spanish Audit Law, we do not express an audit opinion in the terms provided for therein.

The following procedures were applied:

1. Read and understand the information prepared by the Company in relation to the ICFR -which is provided in the Annual Corporate Governance Report disclosure information included in the Directors' Report- and assess whether such information addresses all the required information which will follow the minimum content detailed in section F, relating to the description of the ICFR, as per the IAGC model established by CNMV Circular nº 7/2015 dated December 22, 2015.
2. Make inquiries of personnel in charge of preparing the information described in point 1 above in order to: (i) obtain an understanding of its preparation process; (ii) obtain information making it possible to evaluate whether the terminology employed is in line with reference framework definitions (iii) gather information regarding whether the described control procedures are implemented and functioning within the Group.
3. Review the explanatory documentation supporting the information described in section 1 above, which should basically include everything directly provided to those in charge of preparing the descriptive ICFR information. This documentation includes reports prepared by the Internal Audit Department, senior management, and other internal and external experts in their role supporting the Audit Committee.
4. Compare the information contained in section 1 above with the Group's ICFR knowledge obtained as a result of performing the procedures within the framework of auditing the financial statements.
5. Read the minutes of the Board Meetings, Audit Committee, and other Group committee in order to evaluate the consistency between issues related to the ICFR and information discussed in section 1.
6. Obtain the representation letter related to the work performed, duly signed by those responsible for preparing and authorizing the information discussed in section 1.

As a result of the procedures applied on the ICFR-related information, no inconsistencies or incidents have come to our attention which might affect it.



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This report was prepared exclusively within the framework of the requirements of article 540 of the consolidated text of the Corporate Enterprises Act and by Circular 7/2015 of the Spanish National Security Market, dated December 22, 2015, related to the description of the ICFR in the Corporate Governance Report.

ERNST & YOUNG, S. L.

*(Signed on the original)*

November 30, 2017