

**APPOINTMENTS AND REMUNERATION COMMITTEE OF
THE SIEMENS GAMESA GROUP**

ANNUAL ACTIVITIES REPORT

2017

February 13th, 2018

Prepared by the Appointments and Remuneration Committee and approved by the Board of Directors for presentation to the shareholders at the General Shareholders' Meeting 2018

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A.- PRESENTATION

The Appointments and Remuneration Committee (hereinafter, the “**Committee**”) of Siemens Gamesa Renewable Energy S.A. (hereinafter, “**Siemens Gamesa**” or the “**Company**”) is an internal informational and advisory body created by the Board of Directors, without executive duties and with information, advisory and proposal-making powers within the scope of its activities.

This advisory committee, the existence of which has been mandatory for listed companies since the entry into force of Law 31/2014, of 3 December, amending the Companies Act to Improve Corporate Governance (*Ley 31/2014, de 3 de diciembre, por la que se modifica la Ley de Sociedades de Capital para la Mejora del Gobierno Corporativo*), was created on 4 April 2017 by the merger and absorption of the Appointments Committee and the Remuneration Committee that had existed prior to that date. It is currently regulated by section 529 *quindecies* of the Companies Act, article 35.2 of the By-Laws and article 24 of the Regulations of the Board of Directors, and by the Regulations of the Appointments and Remuneration Committee.

In accordance with the provisions of Article 19 of the *Regulations of the Appointments and Remuneration Committee*, the Appointments and Remuneration Committee has prepared this Annual Activities Report 2017 for approval by the Board of Directors and presentation to the shareholders and investors upon the occasion of the Ordinary General Shareholders’ Meeting.

B.- OPERATION AND RESPONSIBILITIES OF THE COMMITTEE

According to Article 13 of the *Regulations of the Appointments and Remuneration Committee*, the Committee shall meet as often as deemed necessary by its chair for the performance of its duties. It must also meet when so requested by at least two of its members. In any case, the chair shall convene a meeting of the Committee whenever the Board of Directors so requests.

The internal operation of the Appointments and Remuneration Committee, especially as regards its call to meeting, quorum and adoption of resolutions and in all matters not provided for in its specific Regulations, where applicable, shall be governed by the regulations established for the Board of Directors in the By-Laws and in the Regulations of the Board of Directors, provided that they are compatible with the nature and function of the Committee.

During financial year 2017 the committee mainly focused on the performance of the following powers vested therein by law and the corporate governance system¹:

1. Powers regarding the composition of the Board of Directors and of its committees and the process for appointing internal positions within the Board of Directors and for senior officers (Article 6 of the *Regulations of the Appointments and Remuneration Committee*)

Issuance of reports and formulation of Company proposals relating to the appointment or removal of independent directors of the Company.

Assessment of skills of the various candidates and the assignment thereof to any of the categories of director established in the By-Laws.

Reports on proposals for the appointment or re-election of executive and proprietary directors, as well as of the secretary or deputy secretary.

Issuance of reports and formulation of proposals relating to the appointment or removal of the members of the advisory committees (including the Secretary thereof) and of internal top management posts, including the CEO.

Issuance of reports and formulation of proposals regarding the definition and organisation of the organisational structure, the organisation chart and the CEO's nomenclature for top management.

2. Powers regarding the operation of the Board of Directors and of its committees and senior officers (Article 7 of the *Regulations of the Appointments and Remuneration Committee*)

Regular review and advice to the Board of Directors and its committees regarding the most appropriate configuration thereof.

Supervision to ensure that those who will hold the position of director meet the requirements of respectability, suitability, solvency, competence, experience, qualifications, training, availability and

¹ The matters addressed at the meetings held by the former Appointments Committee and Remuneration Committee of Gamesa Corporación Tecnológica, S.A. during financial year 2017 have been taken into account.

commitment to their duties, and are not directly or indirectly affected by any of the grounds for disqualification, prohibition, conflict or opposition of interests with or to the corporate interest.

Oversight to ensure that selection procedures do not suffer from implicit biases that could entail any discrimination whatsoever.

Selection of candidates for appointment as Directors and ensuring compliance with the selection policy.

Facilitating the annual process of assessing the performance of the Board of Directors, the Audit, Compliance and Related Party Transactions Committee, and the Appointments and Remuneration Committee itself.

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

Proposal to the Board of Directors of the system and amount of annual director remuneration, as well as individual remuneration of executive directors and the other basic conditions of their contracts, in all cases in accordance with the provisions of the Corporate Governance System and the Director Remuneration Policy approved by the shareholders acting at the General Shareholders' Meeting.

Proposal to the Board of potential severance payments to directors that may be established in case of removal, in all cases in accordance with the provisions of the Corporate Governance System and the Director Remuneration Policy approved by the shareholders acting at the General Shareholders' Meeting.

Proposal to the Board of Directors of the Annual Director Remuneration Report.

Issuance of report and submission to the Board of the CEO's proposals regarding the remuneration structure for senior officers and the basic conditions of their contracts.

Issuance of report and submission to the Board of the CEO's proposals regarding severance payments in case of removal of senior officers.

Report to the Board on multi-annual incentive systems.

Report to the Board on the sections of the Annual Corporate Governance Report and Annual Accounts that affect this Committee.

Preparation of this Report.

C.- COMPOSITION OF THE COMMITTEE AND ATTENDANCE AT ITS MEETINGS DURING FINANCIAL YEAR 2017

In accordance with Chapter III of the current Regulations of the Appointments and Remuneration Committee, the rules for the organisation of the Appointments and Remuneration Committee are summarised as follows:

- a) The Appointments and Remuneration Committee shall comprise a minimum of three (3) and a maximum of five (5) Non-Executive (External) Directors.
- b) The Appointments and Remuneration Committee shall choose a Chair from among its members.
- c) It shall also appoint a Secretary thereof, who may be one of its members or the Secretary or Deputy Secretary of the Board of Directors, who need not be a Director.

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

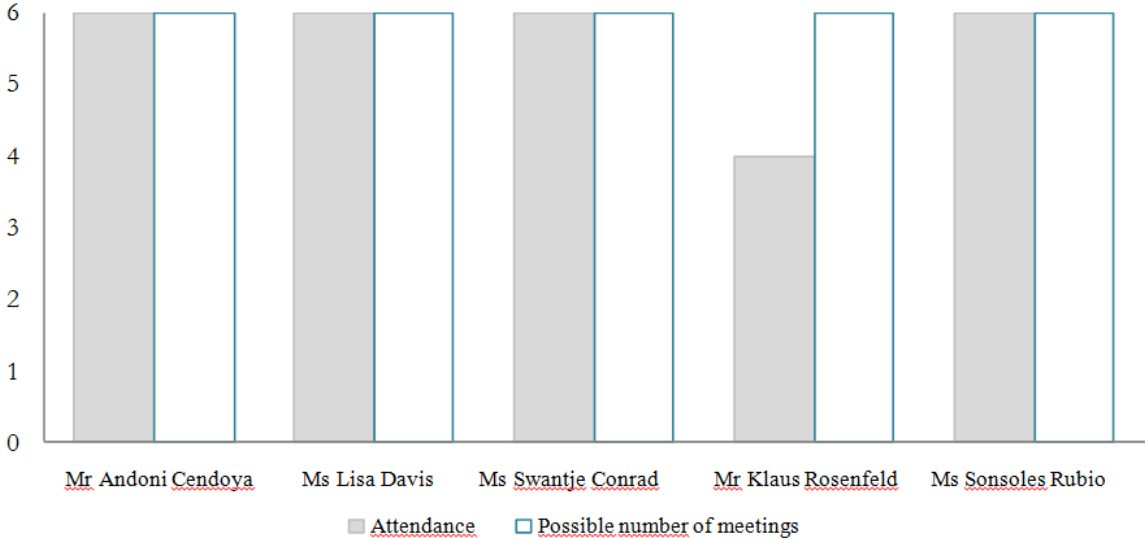
Name and Surname	Position	Category
Mr Andoni Cendoya	Chair	Independent
Ms Lisa Davis	Member	Proprietary
Ms Swantje Conrad	Member	Independent
Mr Klaus Rosenfeld	Member	Independent
Ms Sonsoles Rubio	Member	Proprietary
Mr Carlos Rodríguez-Quiroga	Secretary (Non-member)	N/A

The CVs of the members of this committee are available on the corporate website of Siemens Gamesa (<http://www.siemensgamesa.com/es/>).

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

After its creation on 4 April 2017, the composition of the Appointments and Remuneration Committee did not change during financial year 2017.

Set forth below is the level of attendance of each committee member during financial year 2017².



The first meeting of the Appointments and Remuneration Committee was held on 4 April 2017.

Without prejudice to the duties that legally correspond to the Secretary of the Committee with relation to advising and supporting the members in the exercise and best performance of the duties that correspond thereto, the APPOINTMENTS AND REMUNERATION COMMITTEE, as a supporting body, has an appropriate framework of co-ordination and information relationships with the Company’s senior management and, through its Chair, can solicit the collaboration of members of the Company’s senior management on the terms established in article 22 of the current Regulations of the Appointments and Remuneration Committee.

Finally, the Committee may solicit advice from external professionals in order to best perform its duties, a power that it made use of on the terms that will be set forth in this Report.

All the members of the Committee have the status of Non-Executive Directors based on their experience, qualifications and professionalism, and those classified as “Independent” fulfil the requirements of independence that are established in the internal regulations.

² The meetings held by the former Appointments Committee and Remuneration Committee of Gamesa Corporación Tecnológica, S.A. during financial year 2017 have not been taken into account.

D.- ACTIVITIES DURING 2017

The Appointments and Remuneration Committee held six (6) meetings during financial year 2017. Additionally, the former Remuneration Committee held three (3) meetings and the former Appointments Committee (merged with the Remuneration Committee by resolution of the Board of Directors dated 4 April 2017) held two (2) meetings during financial year 2017.

The meetings were duly called by the Chair of the Committee and held on the following dates:

Date of meeting	Date of call
4 April	4 April
25 April	20 April
8 May	3 May
22 May	18 May
15 June	9 June
21 July	14 July

The relevant documentation for each meeting (agenda, presentations, reports, minutes of previous meetings and other supporting documentation) is provided to the members of the Committee using mechanisms established for such purpose and which ensure the confidentiality of the information, three days prior to the meeting being held unless reasons of urgency prevent compliance with such period, in which case the information is provided to the directors as soon as possible.

The Appointments Committee and the Remuneration Committee also met on the following occasions prior to the commencement of business activities of Siemens Gamesa in April 2017:

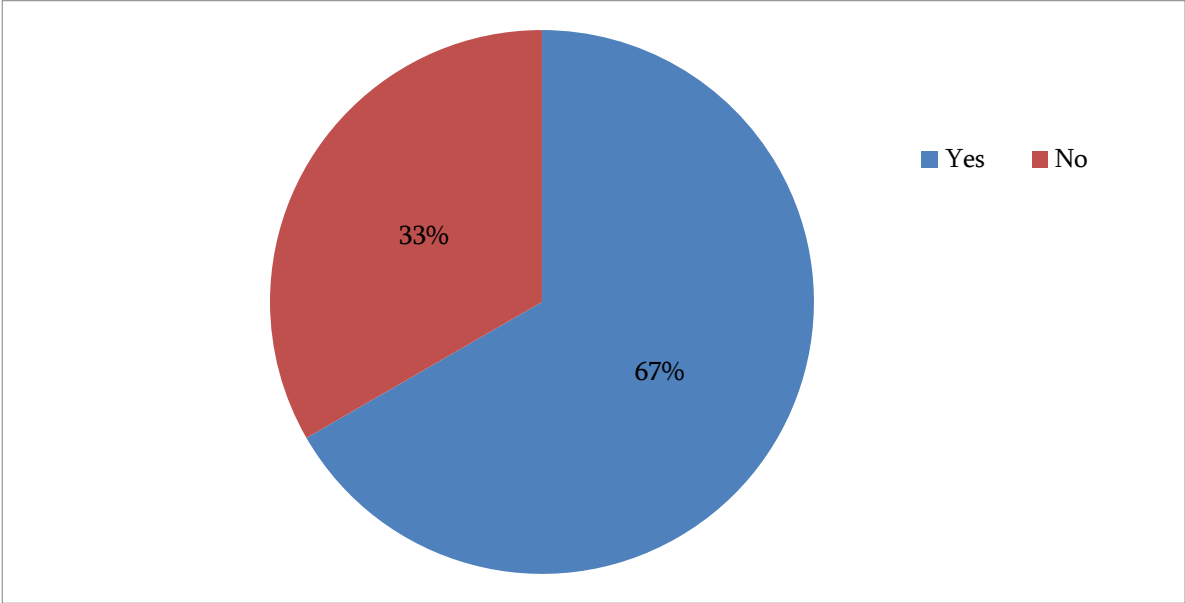
- 26 January 2017, the Remuneration Committee
- 16 February 2017, the Appointments Committee and the Remuneration Committee
- 29 March 2017, the Appointments Committee and the Remuneration Committee

The Appointments and Remuneration Committee did not adopt any written resolutions without a meeting in financial year 2017.

In accordance with article 20.1 of the current Regulations of the Appointments and Remuneration Committee, at each Board meeting after the meetings of the Appointments and Remuneration Committee, the Chair of the Appointments and Remuneration Committee has reported to the Board of Directors regarding the activities of the Committee and the work performed thereby.

The corresponding Minutes were produced for all the meetings, which were approved by the members of the Committee and signed by the Secretary with the approval of the Chair.

The Appointments and Remuneration Committee has had the presence of the Chair of the Company and of Senior Officers of the Company on the various occasions that this has been necessary in order to address the various items on the agenda. The following chart reflects the percentage of meetings in which Senior Officers of the Company have participated. For purposes of clarification, the meetings of the former Appointments Committee and Remuneration Committee have not been taken into account for this calculation.



The Chair of the Committee has requested external advice from law firms or consultancies when deemed necessary. In particular, during 2017 it requested advice from the following law firms and consultancies:

- Uria Mendendez Abogados S.L.P.
- PricewaterhouseCoopers S.L.
- Lupicinio Abogados
- Towers Watson

As stated, the Appointments and Remuneration Committee has used the information, advisory and proposal-making powers delegated thereto by the Board of Directors as a committee specialising in specific areas of activity that are mainly related to the composition and remuneration systems of the Supervisory Bodies, Top Management and Senior Officers of the Company and, without prejudice to such basic duties, also with the organisational model and some of the activities related to the General Shareholders' Meeting and the organisation and operation of the Committee itself.

The main matters that the Committee has addressed and analysed, which have made up its main areas of supervision, can be summarised as follows:

At its meeting on 28 March 2017, the former Appointments Committee (merged with the Remuneration Committee by resolution of the Board of Directors dated 4 April 2017) reported favourably on the appointment of Ms Rosa García as Chair of the Board of Directors. At the same meeting: (i) with respect to the Appointments and Remuneration Committee, it proposed the appointment of the Independent Directors Mr Klaus Rosenfeld and Ms Swantje Conrad and reported favourably on the appointment of the proprietary directors Ms Sonsoles Rubio and Ms Lisa Davis; and (ii) with respect to the Audit, Compliance and Related Party Transactions Committee, it proposed the appointment of the independent director Ms Swantje Conrad. All of the foregoing was subject to the effective registration of the merger.

At its meeting on 28 March 2017, it proposed the interim appointment (co-option) of Mr Luis Javier Cortés Domínguez as an Independent Director, occupying the vacant position of the Director Mr Francisco Javier Villalba. At its meeting on 25 April 2017 and in accordance with Section 529 *decies.4* of the Companies Act and Article 6.1.a) of the Regulations of the Appointments and Remuneration Committee, the Appointments and Remuneration Committee proposed to the Board the appointment on an interim basis of the Director Mr Luis Javier Cortés Domínguez, for submission to the shareholders at the General Shareholders' Meeting.

At its meeting on 25 April 2017, the Appointments and Remuneration Committee made a favourably reported on: (i) the re-election of Mr Carlos Rodríguez-Quiroga Menéndez as director, with the classification of executive director; and (ii) the interim appointment and re-election of Mr Markus Tacke as CEO.

At its meeting on 8 May 2017, the Committee favourably reported on the interim appointment of Mr Michael Sen to cover the eventual vacant position of the Director Mr Klaus Helmrich.

In accordance with the director selection policy and pursuant to article 14 of the Regulations of the Board, the Board of Directors, and thus the Appointments and Remuneration Committee, endeavour to ensure that the selection procedures for board members guarantee the individual and collective qualification of the directors, favour diversity of gender, experience and knowledge, and do not suffer from implicit biases that could imply any discrimination whatsoever. On the occasion of each director appointment, the Appointments and Remuneration Committee has engaged in a corresponding analysis of their suitability, favourably reporting when appropriate on their business and professional integrity and on the alignment of knowledge and experience appropriate to the performance of the role. The Appointments and Remuneration Committee has assessed the existing balance of knowledge, skills, capacity, diversity and experience on the Board of Directors in the process appointing new directors.

At its meeting on 25 April 2017, the Appointments and Remuneration Committee proposed to the Board of Directors the Director Remuneration Policy, which in accordance with sections 529 *sexdecies* to 529 *novodecies* of the Companies Act, article 45 of the By-Laws and article 29 of the Regulations of the Board of Directors was finally submitted by the Board of Directors for the approval of the shareholders at the company's General Shareholders' Meeting, where it was approved on 20 June 2017.

At meetings on 16 February 2017: (i) the former Appointments Committee favourably reported to the Board, to the extent within its powers, on the annual corporate governance report for financial year 2016, which was approved by the board; and (ii) the former Remuneration Committee favourably reported on the annual director remuneration report.

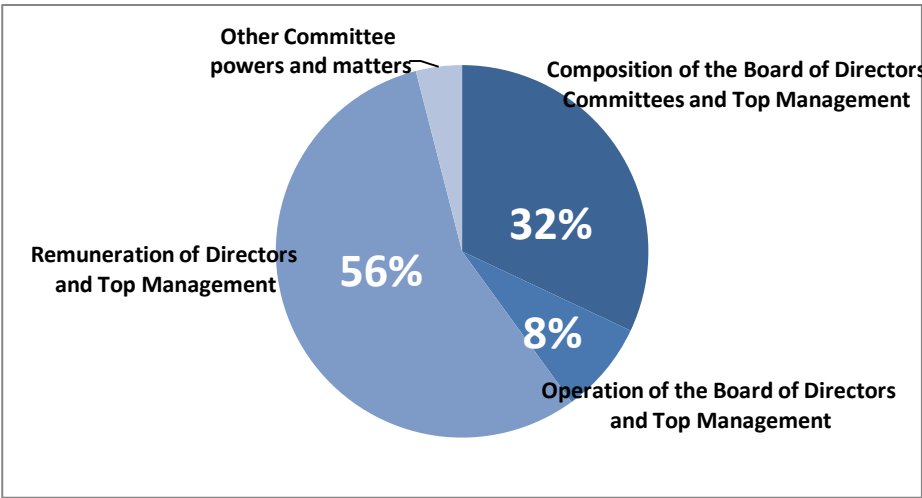
In the area of appointment of members of top management, the Appointments and Remuneration Committee favourably reported on the following appointments, amongst others, approved by the Board of Directors during 2017:

- Mr Markus Tacke, as Chief Executive Officer (CEO)
- Mr Ricardo Chocarro, as Onshore CEO
- Mr Andreas Nauen, as Offshore CEO
- Mr Miguel Ángel López, as Chief Financial Officer (CFO)
- Mr Juergen Bartl, as General Secretary

The Company’s new compensation and benefits structure and the achievement of targets for the different incentives (short and long term) have also been addressed.

In accordance with the provisions of article 7.8 of the Regulations of the Appointments and Remuneration Committee, at its meeting on 16 February 2017 the former Appointments Committee carried out the annual assessment of its operation during 2016, of the quality of its work and of its performance of the duties entrusted thereto in the By-Laws and in the Regulations themselves, and it prepared the assessment reports for the Board of Directors, the Delegated Executive Committee, the Chair and CEO, the performance of the Lead Independent Director and of each Director, the Remuneration Committee, the Audit and Compliance Committee and the Independent Directors Committee.

Set forth below in graphic form is the approximate percentage of time dedicated to each of the main areas of responsibility of the Appointments and Remuneration Committee (Committee matters that were addressed at meetings of the former Appointments Committee and Remuneration Committee have been taken into consideration for the calculation):



E.- VERIFICATION OF COMPLIANCE WITH THE DIRECTOR SELECTION POLICY

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.
- 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.

F.- CONCLUSION

Over the course of financial year 2017 up to 30 September 2017, it is found that the Appointments and Remuneration Committee satisfactorily fulfilled the responsibilities allocated thereto under the By-Laws and its own Regulations.

In sum, this Report of the Appointments and Remuneration Committee represents a contribution to the Company's Corporate Governance strategy, which participates in the mission of creating shareholder value and promoting the corporate interest.