

**English translation for information purposes only. In the event of discrepancies between English and Spanish version, the Spanish version shall prevail.**

**APPENDIX I**

**ANNUAL CORPORATE GOVERNANCE  
REPORT FOR LISTED COMPANIES**

**ISSUER'S PARTICULARS**

**FINANCIAL YEAR END**

31/12/2017

**COMPANY TAX ID NO. (C.I.F.):**

A85699221

**CORPORATE NAME**

SAETA YIELD, S.A.

**REGISTERED OFFICE**

AVENIDA DE BURGOS 16D, 3ºI, 28036 MADRID

**ANNUAL CORPORATE GOVERNANCE  
REPORT FOR LISTED**

**A OWNERSHIP STRUCTURE**

A.1 Complete the following table on the company's share capital.

Date of last modification	Share capital (€)	Number of shares	Number of voting
27/01/2015	81,576,928 €	81,576,928	81,576,928

Indicate whether different types of shares exist with different associated rights.

Yes

No

A.2 List the direct and indirect holders of significant ownership interests in your company at year-end, excluding directors:

Name or company name of the shareholder	% of Number of direct voting rights	Number of indirect voting rights		% total voting rights
		Name or company name of the direct shareholder	Number of voting rights	
COBRA CONCESIONES, S.L.	19,750,212	ACS, Actividades de construcción y servicios, S.A.		24.21%
GIP II Helios, S.à.r.l.	19,587,058			24.01%
MORGAN STANLEY INVESTMENTS MANAGEMENT, INC	4,138,247			5.07%

Indicate the most significant movements in the shareholder structure during the year:

Name or corporate name of shareholder	Date of the transaction	Description of the transaction
TONY CHEDRAOUI	12/07/17	Decreased 3% of the share capital

A.3 Complete the following tables on company directors holding voting rights through company shares.

Name or corporate name of director	Number of direct voting rights	Voting rights held indirectly	% of total voting rights
D. José Luis Martínez Dalmau	7,500		0.009%
D. José Barreiro Hernández	27,000		0.033%

<b>% of total voting rights held by the Board of Directors</b>	0.042%
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Complete the following table on the members of the company's Board of Directors that hold rights over shares in the company:

Name or company name of the Board Member	Number of direct voting rights	Indirecting voting rights		% of total voting rights
		direct holder of the participation	Equivalent number of shares	
Mr. José Luis Martínez Dalmau	210,000		210,000	0.26%

A.4 Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities.

Related-party name or corporate name	Type of relationship	Brief description
Cobra Instalaciones y Servicios, S.A. y GIP II HELIOS, S.à.r.l.	Corporate	Cobra Facilities and Services, S.A. and GIP II Helios, s.à.r.l. hold 51% and 49% equity interests in Bow Power, S.L. respectively.

A.5 Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant holdings and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities.

Related-party name or corporate name	Type of relationship	Brief description
Cobra Concesiones, S.L. y GIP II HELIOS, S.à.r.l.	Contractual	Right of first offer and call option (ROFO)

- A.6 Indicate whether the company has been notified of any shareholders' agreements pursuant to articles 530 and 531 of the Spanish Limited Liability Companies Law ("LSC"). Provide a brief description and list the shareholders bound by the agreement, as applicable.

Yes

No

Members of the shareholders agreement	% share capital affected	Brief description of the shareholder agreement
ACS, Actividades de Construcción y Servicios, S.A. y GIP II HELIOS, S.à.r.l.	48.222%	-Voting and transfer of shares. -Reserved matters for approval by the General Shareholder's Meeting. -Members of the Board of Directors.

- A.7 Indicate whether any individuals or bodies corporate currently exercise control or could exercise control over the company in accordance with article 5 of the Securities' Market Act. If so, identify:

Yes

No

- A.8 Complete the following tables on the company's treasury stock.

At year-end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
65,081	0	0.08%

On 26 July the company entered into a liquidity agreement with BANCO DE SABADELL, S.A. (the "Financial Intermediary") for the sole purpose of providing liquidity and regularity to the company's share price, within the limits established by the company's General Shareholders' Meeting and by the applicable legislation in force, in particular that of Spain's National Securities Market Commission (CNMV in Spanish) in its Circular 1/2017 of 26 April on liquidity agreements.

- A.9 Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back and/or transfer treasury stock.

Through a resolution passed at the General Meeting on 27/01/2015, it was agreed to authorize both the Saeta Yield, S.A. Board of Directors, as well as its subsidiary companies, for a period of five (5) years from the date of the Meeting, to purchase at any moment, as many times as they deem appropriate, and for any reasons allowed by law, using the yearly profit and/or unrestricted reserves, shares of Saeta Yield S.A, whose nominal value added to those already owned by the company and its subsidiaries does not exceed 10% of the issued share capital or, where appropriate, the maximum amount allowed by applicable legislation at any time.

It also authorizes the Saeta Yield S.A. Board of Directors, as well as that of its subsidiary companies, under the same terms as the previous paragraph, to purchase Saeta Yield. S.A. shares through loans, for free or against payment under terms which are deemed to be market conditions, taking into consideration the market situation and the transaction characteristics.

At the General Meeting held on 21/06/2017, it was agreed to renew until 30 June 2020 the authorisation to increase the share capital, as initially approved by the 27/01/2015 General Meeting.

A.9 bis Estimated free float

	%
<b>Estimated Free Float</b>	51.66%

A.10 Give details of any restriction on the transfer of securities or voting rights. Indicate, in particular, the existence of any restrictions on the takeover of the company by means of share purchases on the market.

Yes  No

A.11 Indicate whether the General Shareholders' Meeting has agreed to take neutralization measures to prevent a public takeover bid by virtue of the provisions of Act 6/2007.

Yes  No

A.12 Indicate whether the company has issued securities not traded in a regulated market of the European Union.

Yes  No

**B GENERAL SHAREHOLDERS' MEETING**

B.1 Indicate the quorum required for constitution of the General Shareholders' Meeting established in the company's Bylaws. Describe how it differs from the system of minimum quorums established in the LSC.

Yes  No

B.2 Indicate and, as applicable, describe any differences between the company's system of adopting corporate resolutions and the framework established in the LSC.

Yes  No

B.3 Indicate the rules governing amendments to the company's Bylaws. In particular, indicate the majorities required to amend the Bylaws and, if applicable, the rules for protecting shareholders' rights when changing the Bylaws.

By-Laws.- It have been approved by General Shareholder's Meeting held on January 20, 2015 and in force at December 31, 2017:

Article 8.2: Social agreements will be adopted by the demanded majority of votes in each case by Corporate Enterprise Act.

REGULATION OF THE SHAREHOLDER'S MEETING: It have been approved by General Shareholder's Meeting held on January 20, 2015 and in force at December 31, 2017.

Article 24.1: Items which are substantially independent must be vote separately in the Shareholders Meeting.

Article 24.2: In any case, even when provided under the same section in the agenda, the following are to be voted separately:

- a) The appointment, ratification, reelection or dismissal of each member.
- b) In the modification of the bylaws, that of each article or group of articles that have their own autonomy.

RULES FOR THE GENERAL MEETING OF SHAREHOLDERS. Approved by the General Meeting of 20/01/2015 and in force on 21/12/2017.

Rules of the General Shareholder's Meeting establish in Article 7.1.f) that Shareholders' Meeting agree the issuance of obligations or other fixed-income securities, the increase or reduction of capital, the transformation, merger or division, the overall assignment of assets and liabilities, the transfer of the address abroad and the dissolution of the company and, in general, any amendment of the bylaws.

Rules of the General Shareholder's Meeting establish in Article 18.2 that Shareholders' Meeting to be able to validly agree the increase or decrease of capital stock and any other Company Bylaws modifications, obligations issuing, suppression or limitation of preferential subscription right for new shares, as well as assets and liabilities transformation, merger, split or general assignment and the transfer of corporate address abroad, attendance of present or represented shareholders representing at least 50% of the subscribed capital stock with voting rights will be necessary, under first notice. Under second notice the attendance of 25% of said capital will be sufficient.

B.4 Indicate the data on attendance at the General Shareholders' Meetings held in the year to which report refers and in the previous year.

Date of general meeting	Attendance data				
	% attending in person	% by proxy	% remote voting		Total
			Electronic means	Other	
22/JUN/2016	37.086%	18.155%		21.18% Voting by postal mail	67.604%
21/JUN/2017	49.415%	16.448%		24.71% voting by distance communication	65.863%

B.5 Indicate whether the Bylaws impose any minimum requirement on the number of shares required to attend the General Shareholders' Meetings.

Yes

No

B.6 Paragraph repealed.

B.7 Indicate the address and mode of accessing corporate governance content on your company's website as well as other information on General Meetings which must be made available to shareholders on the website.

The web URL is <http://www.saetayield.com>

Once in the Saeta Yield website home page, there are several tabs at the top. Under CORPORATE GOVERNANCE, once clicked this tab brings up the following subsections: Corporate Rules, General Shareholders' Meeting, Corporate Governance Report, Board of Directors, Ethics and Professionalism. Each of these subsections sets out the information corresponding to its title. Also, in section General Shareholders' Meeting hangs all information to be made available to shareholders.

**C****COMPANY MANAGEMENT STRUCTURE****C.1 Board of Directors**

**C.1.1** List the maximum and minimum number of directors included in the Bylaws.

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

**C.1.2** Complete the following table with Board members' details.

<b>Name or corporate name of director</b>	<b>Representative</b>	<b>Director position</b>	<b>Position on the Board of Directors</b>	<b>Date of first appointment</b>	<b>Date of last appointment</b>	<b>Election procedure</b>
Mr. José Luis Martínez Dalmau		Executive Director	Chairman	20/01/2015	20/01/2015	Resolution of General Shareholders Meeting
Mr. José Barreiro Hernández		Independent	Director	27/01/2015	27/01/2015	Resolution of General Shareholders Meeting
Mr. Daniel B. More		Independent	Director	27/01/2015	27/01/2015	Resolution of General Shareholders Meeting
Mr. Paul Jeffery		Independent	Director	27/01/2015	27/01/2015	Resolution of General Shareholders Meeting
Mr. Cristóbal González Wiedmaier		Proprietary	Director	20/01/2015	20/01/2015	Resolution of General Shareholders Meeting
Ms. Cristina Aldámiz-Echevarría González de Durana		Proprietary	Director	20/01/2015	20/01/2015	Resolution of General Shareholders Meeting
Mr. Deepak Agrawal		Proprietary	Director	08/05/2015	08/05/2015	Resolution of General Shareholders Meeting
Mr. Antoine Kerrenneur		Proprietary	Director	04/11/2016	04/11/2016	Cooptation agreement

<b>Total number of directors</b>	8
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Indicate any board members who left during this period.

<b>Name or corporate name of director</b>	<b>Status of the director at the time</b>	<b>Leaving date</b>
Mr. Honorato López Isla	Independent Director	21/06/2017

C.1.3 Complete the following tables on board members and their respective categories.

### **EXECUTIVE DIRECTORS**

<b>Name or corporate name of director</b>	<b>Position held in the company</b>
Mr. José Luis Martínez Dalmau	Chairman/Executive Director

<b>Total number of executive directors</b>	1
<b>% of the board</b>	12.5%

### **EXTERNAL PROPRIETARY DIRECTORS**

<b>Name or corporate name of director</b>	<b>Name or corporate name of significant shareholder represented or proposing appointment</b>
Mr. Cristóbal González Wiedmaier	Cobra Concesiones, S.L.
Ms. Cristina Aldámiz-Echevarría González de Durana	Cobra Concesiones, S.L.
Mr. Antoine Kerrenneur	GIP II Helios, s.á.r.l.
Mr. Deepak Agrawal	GIP II Helios, s.á.r.l.

<b>Total number of proprietary directors</b>	4
<b>% of the board</b>	50%

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## INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of director	Profile
Mr. José Barreiro Hernández	<p>Birth place Madrid, Spain, Birth date May 5, 1958. He has significant experience managing and overseeing large limited companies. Before joining Saeta Yield, Mr. Barreiro Hernández served as managing director of Banco Bilbao Vizcaya Argentaria, S.A. for more than fourteen years. He is currently working at SVP Global as Senior Advisor in Spain and Portugal since 2014. He has been a member of the board of directors of several companies, including AIAF, the Spanish Fixed Income Market, Iberclear, the Spanish Clearing and Settlement System for Government Securities, BME (Bolsas y Mercados Españoles), CNCB (China Citic bank Corporation), Citi Bank Internacional y DUCH between others. He has been also a member of foundations and schools such as Fundación de Estudios Financieros and Vermont Academy. Furthermore, the sponsor is currently the BBVA microfinance foundation.</p> <p>Mr. Barreiro has a Degree in Economics from the Universidad Complutense de Madrid, specializing in macro economy and a Diploma in Tax and Fiscal Law from the Instituto de Estudios Financieros (Madrid).</p>
Mr. Daniel B. More	<p>Birth place Plainfield, New Jersey U.S.A., Birth date June 3, 1956. He was formerly a Managing Director at Morgan Stanley, leading the firm's global efforts in Utility Mergers and Acquisitions. He has been an investment banker since 1978 and has specialized in the energy sector since 1986. He retired from Morgan Stanley in March 2014. He is currently working for Guggenheim Securities, Investment Banking Division since October 2015. Mr. More's experience includes a focus on financing renewable energy. He has also worked with an array of regulated industry clients, including investor-owned utilities, co-operatives and municipal electric systems. He has extensive international energy experience, working with energy sector clients on six continents.</p> <p>He has served on the Board of Directors of the New York Independent System Operator ("NYISO") from April 2014 to February 2016. NYISO is the agency responsible for the New York State high voltage transmission network 11,000 miles and more than 500 power generators). He is currently a member of the Board of Directors of SJW Corp., San Jose, CA.</p> <p>Mr. More received an MBA from the Wharton School of the University of Pennsylvania and a BA in Economics from Colby College in Waterville.</p>
Mr. Paul Jeffery	<p>Birth place United Kingdom, Birth date April 27, 1955. He was formerly a Managing Director in the Investment Banking Division and Head of the</p>

<b>Name or corporate name of director</b>	<b>Profile</b>
	<p>European Power, Utilities and Infrastructure (“PUI”) team at Barclays Capital (“Barclays”). Mr. Jeffery joined Barclays in 1972 and has focused on the utility sector since 1996. During his 15 years as Head of the PUI team, Mr. Jeffery had an oversight role in virtually every Investment Banking transaction Barclays executed in the European PUI sector. Mr. Jeffery retired from Barclays in 2012 and, since 2014, has served on the boards of directors of the Scotia Gas Networks (Southern Gas Networks plc and Scotland Gas Networks plc) and UK Power Networks (Eastern Power Networks plc, London Power Networks plc and South Eastern Power Networks plc) which own and operate the regulated gas and electricity distribution networks, respectively, in the United Kingdom.</p>

<b>Total number of independent directors</b>	3
<b>% of the board</b>	37.5%

- C.1.4 Complete the following table on the number of female directors over the past four years and their category.

	.Number of female directors				% of total directors of each type			
	Year 2017	Year 2016	Year 2015	Year 2014	Year 2017	Year 2016	Year 2015	Year 2014
<b>Executive</b>	0	0	0		0%	0%	0%	
<b>Proprietary</b>	1	1	1		25%	25%	25%	
<b>Independent</b>	0	0	0		0%	0%	0%	
<b>Other</b>	0	0	0		0%	0%	0%	
<b>Total</b>	1	1	1		12.5%	11.11%	11.11%	

- C.1.5 Explain the measures, if applicable, which have been adopted to ensure that there is a sufficient number of female directors on the board to guarantee an even balance between men and women.

<b>Explanation of measures</b>
<p>Saeta Yield, S.A. promotes any policies necessary to ensure gender equality and to avoid inherent bias or any discrimination during selection processes for the members of the Board of Directors, as established in article 9.4 of the Board of Directors' Regulation. Furthermore, Saeta Yield S.A. ensures equal opportunities for any job, and guarantees that the candidates meet the skills, understanding and experience requirements to fill the role, as reflected in article 4.3.1 of the General Code of Conduct. During fiscal year 2017 a vacancy opened up in relation to an independent board member, and Saeta Yield, S.A. is encouraging the addition of a woman to the board to fill that vacancy. However, in the end it will obviously be the overall evaluation of merits that must prevail when the time comes to propose the candidates.</p>

- C.1.6 Explain the measures taken, if applicable, by the Nomination Committee to ensure that the selection processes are not subject to implicit bias that would make it difficult to select female directors, and whether the company makes a conscious effort to search for female candidates who have the required profile.

<b>Explanation of measures</b>
<p>The Appointments and Remuneration Committee, pursuant to the Board of Directors' Regulation and the company's General Code of Conduct, establishes the target to represent the least represented gender on the Board of Directors, encouraging the inclusion of women amongst potential candidates, ensuring that they meet the appropriate professional profile and meet the criteria for merit and ability.</p> <p>As explained under the previous heading, during fiscal year 2017 a vacancy opened up for an independent board member. The Committee is evaluating all candidates proposed to it, without any discrimination with regard to sex, and with assessment of the professional profiles and objective criteria based on merit and abilities.</p>

When, despite the measures taken, there are few or no female directors, explain the reasons.

<b>Explanation of measures</b>
<p>Saeta Yield is aware that it must continue to provide incentives for, and achieve, a female presence on the Board of Directors. To do this, it is carrying out an overall evaluation of the candidates, while continuing with its efforts to fill the vacancy mentioned with a female board member.</p>

- C.1.6.bis Explain the Appointments Committee's findings regarding verification of compliance with the policy for selection of Board Members. In particular, describe how that policy contributes to the goal of achieving, by the year 2020, a number of female directors representing at least

30% of the total number of Board Members.

<b>Explanation of measures</b>
Work is now under way to include more women on the Board of Directors of Saeta Yield, S.A., and therefore when a vacancy opens up, a special dedicated effort is being made to search for women to be included. As mentioned in the previous sections, an overall evaluation of the candidates is taking place, without any discrimination based upon sex.

C.1.7 Explain how shareholders with significant holdings are represented on the board.

Non-executive and proprietary directors, Mr. Cristóbal González Wiedmaier and Ms. Cristina Aldamiz-Echevarría González de Durana, on behalf of Cobra Concesiones, S.L.

Non-executive and proprietary directors, Mr. Antoine Kerrenneur and Mr. Deepak Agrawal, on behalf of GIP II Helios, s.á.r.l.

All the directors are members on the Board Committees existing.

C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 3% of the share capital.

<b>Name or corporate name of</b>	<b>Reasons</b>

Provide details of any rejections of formal requests for board representation from shareholders whose equity interest is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If so, explain why these requests have not been entertained.

During fiscal year 2017 the aforementioned petitions were not produced.

Yes

No

C.1.9 Indicate whether any director has resigned from office before their term of office has expired, whether that director has given the board their reasons and through which channel. If made in writing to the whole board, list below the reasons given by that director.

<b>Name of director:</b>	<b>Reasons for resignation:</b>
Mr. Honorato López Isla	On 21 June 2017, Mr. Honorato López Isla submitted a letter announcing his resignation from his position as the company's Coordinating Director, and as a result also resigning as Chairman of the Audit Committee and member of the Appointments and Remuneration Committee. Although Mr. Honorato López acknowledged that it had been an interesting and positive phase for the company, he had decided to resign from his position for personal reasons and in view of having reached 70 years of age.

C.1.10 Indicate what powers, if any, have been delegated to the Chief Executive Officer(s).

<b>Name or corporate name of</b>	<b>Brief description</b>
Mr. José Luis Martínez Dalmau	All powers corresponding to the board except those that cannot be transferred.

C.1.11 List the directors, if any, who hold office as directors or executives in other companies belonging to the listed company's group:

Name or corporate name of director	Corporate name of the group entity	Position	Have Executive Functions?
Mr. José Luis Martínez Dalmau	- Al-Andalus Wind Power, S.L.U. -La Caldera Energía Burgos, S.L.U. - Parque Eólico Santa Catalina, S.L. U. - Eólica del Guadiana, S.L.U. - Parque Eólico Valcaire, S.L.U. - Parque Eólico Sierra de las Carbas, S.L.U. - Parque Eólico Tesosanto, S.L.U. - Manchasol 2, Central Termosolar Dos, S.L.U. -Extresol 1, S.L.U. -Serrezuela Solar II, S.L.U. - Extresol-2, S.L.U. - Extresol-3, S.L.U. - Extresol Almacenamiento GNL, AIE -Viensos, S.A. -Eskonel Company, S.A. -Derisia, S.A. -Fingano, S.A. -Vengano, S.A. -Pantenergía, S.A. -Gadgetadvantages-Unipessoal LDA	Representing the Sole Director	Yes
Mr. José Luis Martínez Dalmau	- Lestenergia – Exploração de parques eólicos S.A.	Representing the Director	Yes
Mr. José Luis Martínez Dalmau	Sistema de Conexión Valcaire, S.L.	Representing the Company Parque Eólico Valcaire, S.L.U. as member of the Board of Director	No
Mr. José Luis Martínez Dalmau	Sistema de Evacuación Albuera-SET Olivenza-Vaguadas A.I.E.	Chairman of the Board of Directors	No

C.1.12 List any company board members who likewise sit on the boards of directors of other non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the company.

Name or corporate name of director	Corporate name of the group entity	Position
Mr. Cristina Aldámiz-Echevarría González de Durana	Masmovil Ibercom, S.A.	Board member

C.1.13 Indicate and, where appropriate, explain whether the company has established rules about the number of boards on which its directors may sit.

Yes

No

Explain the rules
Board of Director Regulation establish in article 18.3 that unless expressly authorized by the Board, Directors may not serve on more than five boards of other listed companies or more than five boards of unlisted companies, excluding boards of family-owned or holding companies of the Directors or their family members and the boards or equivalent of foundations, associations or similar. For the purposes of this paragraph, all boards of companies in the same group to which a Director may belong are considered a single board.

C.1.14 Paragraph repealed.

C.1.15 List the total remuneration paid to the Board of Directors in the year.

Remuneración del consejo de administración (miles de euros)	732
Amount of rights accumulated by current board members in pensions (thousands of Euros).	0
Amount of rights accumulated by former board members in pensions (thousands of Euros).	0

C.1.16 List any members of senior management who are not executive directors and indicate total remuneration paid to them during the year.

Name or corporate name	Position
Ms. Lola del Valle Calvo	Legal Consultancy Manager
Mr. Álvaro Pérez de Lema Mata	CFO
Mr. Francisco González Hierro	Operations Manager
Ms. Yolanda Taboada Díaz- Rincón	Internal Auditor

Total remuneration received by senior management (thousands of euros)	518
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C.1.17 List, if applicable, the identity of those directors who are likewise members of the boards of directors of companies that own significant holdings and/or group companies.

Name or corporate name of director	Name or corporate name of significant shareholder	Position
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Mr. José Luis Martínez Dalmau	Escal UGS, S.L.	Board member
Ms. Cristina Aldámiz-Echevarría González de Durana	Bow Power Energy, S.L.	Board member
Mr. Cristóbal González Wiedmaier	Iberoamericana de Hidrocarburos, S.A. de C.V.	Board member
Mr. Cristóbal González Wiedmaier	Consortio Especializado en Medio Ambiente, S.A. de C.V.	Board member
Mr. Cristóbal González Wiedmaier	Monclova Pirineos Gas, S.A. de C.V.	Board member
Mr. Deepak Agrawal	Bow Power Energy, S.L.	Board member
Mr. Deepak Agrawal	Equis Energy	Board member
Mr. Deepak Agrawal	Manchasol-1, Central Termosolar Uno, S.L.	Board member

List, if appropriate, any relevant relationships, other than those included under the previous heading, that link members of the Board of Directors with significant shareholders and/or their group companies.

Name or corporate name of director linked	Name or corporate name of significant linked	Description
Ms. Cristina Aldámiz-Echevarría González de Durana	ACS, Actividades de Construcción y Servicios, S.A.	CFO and Corporate Development
Ms. Cristina Aldámiz-Echevarría González de Durana	ACS, Servicios Comunicaciones y Energía, S.A.	CFO
Mr. Cristóbal González Wiedmaier	Cobra Gestión de Infraestructuras, S.L.	CFO
Mr. Cristóbal González Wiedmaier	Pilot Offshore Renewables, Limited	Director
Mr. Cristóbal González Wiedmaier	Kincardine Offshore Windfarm, Limited	Director
Mr. Antoine Kerrenneur	Global Infrastructure Partners	Principal

C.1.18 Indicate whether any changes have been made to the board regulations during the year.

Yes

No

C.1.19 Indicate the procedures for appointing, re-electing, evaluating and removing directors. List the competent bodies, procedures and criteria used for each of these procedures.

Appointment of Directors is regulated in the Board of Directors regulation:

- Responsibilities article 5 and 6.
- Types of directors article 8.
- Board of Directors composition article 9.
- Board of Directors chairman article 10.
- Vice-chairman article 11.
- Secretary article 12.
- Appointments article 13.
- Terms of office article 14.
- Directors dismissal and resignation article 15.
- Appointments and remuneration article 32.
- Reelection

The Directors shall serve in office for a period of four years and may be reelected one or more times for periods of equal duration. However, they can be dismissed from their position at any time by the Shareholders Meeting, even when the dismissal is not reflected in the Agenda. If the appointment were to fall on an artificial person, this shall appoint a natural person as a representative for the exercise of the position responsibilities.

The Directors appointment will expire when, having expired the term, the next Shareholders General Meeting which is to decide upon the approval of the prior business year annual accounts has been held.

Independent directors will not remain as such during a continuous period of more than 12 years.

- Removal directors



The removal of Directors is governed by the Regulations of the Board of Directors in the following articles, the literal content is as follows.

Among the articles of the Regulation of the Board of Directors mentioned above, the following stand out and literally transcribed:

#### Article 9.- Board of directors composition

The Board of Directors will be composed of a minimum of five and a maximum of fifteen members, who shall be appointed or ratified by the Shareholders General Meeting according to Law. The establishment of the exact number of members of the Board of Directors shall be the responsibility of the Shareholders General Meeting within the abovementioned minimum and maximum.

The Board of Directors, within the exercise of its powers of proposal to the Shareholders General Meeting and co-optation to cover vacancies, shall ensure that the composition of the body, the External or non-executive directors represent a wide majority over the Executive Directors and that the number of independent directors represent at least one-third of the total number of the Board of Directors members.

The Board of Directors must ensure that procedures for the selection of its members favor the diversity of gender, experiences and knowledge; and not suffer implicit biases that may involve any discrimination and, in particular, that facilitate the selection of female Directors.

The character of each Director must explain by the Board of Directors to the Shareholders General Meeting that is to carry out or ratify his/her appointment. In the event that there is any external Director who might not be considered proprietary or independent, the Company will explain such circumstances and his/her relations, either with the Company or its managers, either with its shareholders.

#### Article 6.- Board of Directors Non-Delegable Responsibilities

In any case, the following are responsibilities of the Board of Directors and cannot be delegated: (...) The appointment and removal of Company Chief Executive Officers Directors, as well as the establishment of their contract details. The appointment and dismissal of managers who directly depend from the Board or any of its members, as well as the establishment of their contract details, including their remuneration.

#### Article 14.- Term of office

The Directors shall serve in office for a period of four years and may be reelected one or more times for periods of equal duration. However, they can be dismissed from their position at any time by the Shareholders Meeting, even when the dismissal is not reflected in the Agenda. If the appointment were to fall on an artificial person, this shall appoint a natural person as a representative for the exercise of the position responsibilities.

The Directors appointment will expire when, having expired the term, the next Shareholders General Meeting which is to decide upon the approval of the prior business year annual accounts has been held.

#### Article 15. Resignation and removal of Directors

Board Members will no longer hold such positions once the period for which they were appointed has expired, or if the General Meeting so decides in exercise of its authorities as conferred by law or by the company's Articles.

The Directors must make their position on the Board of Directors available and must formalise, if considered appropriate, their resignation in the following cases: (a) If they fulfil any of the circumstances of incompatibility or prohibition as established by law or by the company's Articles. (b) If their continued presence on the Board could harm or put at risk the company's interests, credit rating, or reputation, or when the reasons for which they were appointed no longer exist. (c) In the case of proprietary Directors: (i) if the shareholder they represent sells all shareholding interest or reduces it significantly and; (ii) if the interests held by that shareholder are reduced to a level that requires reduction of the number of proprietary Directors, with the corresponding number then being required to resign. (d) When they no longer hold the executive positions to which their appointment as a Director was linked.

The Board of Directors can only propose removal of an independent Director prior to expiration of the statutory time limit if the Board itself believes that there is just cause to do so, and upon proposal by the Appointments and Remuneration Committee. In particular, just cause will be understood to exist when the Director has failed to comply with the duties inherent to that position, or has unexpectedly come to

fulfil any of the circumstances of prohibition described in the definition of the independent Director position as established in the legislation in force, or in the absence of this, in the recommendations on good corporate governance applicable to the company at any given time.

C.1.20 Explain, if applicable, to what extent this evaluation has prompted significant changes in its internal organization and the procedures applicable to its activities:

Description of amendments
The self-assessment did not lead to significant changes to the internal organisation of the Board of Directors or its Delegated Committees.

C.1.20.bis Describe the evaluation process and the areas evaluated by the auxiliary board of directors, where appropriate, by an external consultant, regarding diversity in its composition and skills, the operation and composition of the committees, the role of the board of directors' chairman and the company's top executive, and the role and contribution of each board member.

The company's Board of Directors performs an annual assessment of its own functioning and that of its Committees (Audit Committee and Appointments and Remuneration Committee). Both the Board and these two committees have completed an assessment process by means of a questionnaire completed by all their members, and this process has allowed the governance bodies to reach suitable conclusions about their functioning, membership, and relationships with the company's management and shareholders, and with the pertinent report being produced.

C.1.20.ter Provide a breakdown, where appropriate, of the business relations which the consultant or any company in the group maintains with the company or any company in the group.

No use has been made of any external consultants.

C.1.21 Indicate the cases in which directors must resign.

In accordance with article 15 of the Rules of the Board of Director, the Directors must place their position at the disposal of the Board of Directors and formalize, if deemed convenient, their resignation in the following cases: (a) When they have incurred in any of the incompatibility or prohibition cases stipulated by the law or the by-laws. (b) When their continuation in the Board can jeopardize or harm the interests, the credit or the reputation of the Company or when the reasons due to which they were appointed disappear. (c) In the case of Proprietary Shareholders (i) when the represented shareholder sells his/her entire shares participation or significantly reduces it, and (ii) in the corresponding number, when said shareholder reduces their share participation to a level that demands the reduction of the Proprietary Directors. (d) When termination in the executive positions to which the appointment as Director is associated.

C.1.22 Paragraph repealed

C.1.23 Are qualified majorities other than those prescribed by law required for any type of decision?

Yes

No

C.1.24 Indicate whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairman.

Yes

No

C.1.25 Indicate whether the Chairman has the casting vote.

Yes

No

C.1.26 Indicate whether the Bylaws or the board regulations set any age limit for directors:

Yes  No

C.1.27 Indicate whether the Bylaws or the board regulations set a limited term of office for independent directors.

Yes  No

C.1.28 Indicate whether the Bylaws or board regulations stipulate specific rules on appointing a proxy to the board, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold. Also indicate whether only one director of the same category may be appointed as a proxy. If so, give brief details.

The meeting of the Board of Directors may be held at several locations connected by systems that allow the recognition and identification of the participants, the permanent communication between them regardless of where they are, as well as intervention and voting, all in real time, including assistance by telephone or videoconference. Attendees anywhere, for all purposes, will be considered as attending the same meeting and the session will be understood as held at the registered office if at least one of the Directors attends from there or, by default, in the place from which the Chairman attends.

Article 25 of the rules of the Board of Directors establish that the Directors must personally attend the sessions that take place. Also directors will make every effort to attend the sessions of the Board of Directors and, when they cannot do it personally, they will assign their representation in writing and special for each session to another Member of the Board, including the necessary instructions and communicating this to the Board of Directors Chairman. The absences are quantified in the Corporate Governance Annual Report. Regardless of the foregoing, the Non-executive Directors may only delegate their representation on another non-executive.

C.1.29 Indicate the number of board meetings held during the year and how many times the board has met without the Chairman's attendance. Attendance will also include proxies appointed with specific instructions.

<b>Number of board meetings</b>	11
<b>Number of board meetings held without the Chairman's attendance</b>	0

If the Chairman is executive director, indicate the number of meetings held without the assistance or representation of any executive directors and chaired by the coordinating director.

<b>Number of meetings</b>	0
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Indicate the number of meetings of the various board committees held during the year.

<b>Number of Audit Committee meetings</b>	6
<b>Number of Appointments and Remuneration meetings</b>	5

C.1.30 Indicate the number of board meetings held during the year with all members in attendance. Attendance will also include proxies appointed with specific instructions.

<b>Directors' attendance</b>	8
<b>% of attendances of the total votes cast during the year</b>	93.61%

C.1.31 Indicate whether the consolidated and individual financial statements submitted for authorization for issue by the board are certified previously.

Yes

No

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior to their authorization for issue by the board.

<b>Name</b>	<b>Position</b>
Mr. José Luis Martínez Dalmau	Executive Director
D. Álvaro Pérez de Lema	CFO

C.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements it prepares from being laid before the General Shareholders' Meeting with a qualified Audit Report.

With regards to the auditor, article 31.10.2 of the Board's Regulation establishes that it is the Audit Committee's responsibility, with regards to the external auditor, "to ensure that the external auditor holds an annual meeting with the entire Board of Directors to provide information on the work they have carried out and on any changes to the Company's accounting situation and risks." which allows it, with sufficient notice, to counteract different interpretations between the Company's and the company group's accounting policies, and the auditor's interpretation of these policies. It is believed that the audit report for Saeta Yield, S.A. and its group corresponding to the 2017 financial year will be favorable.

C.1.33 Is the Secretary of the board also a director?

Yes

No

C.1.34 Paragraph repealed

C.1.35 Indicate and explain, where applicable, the mechanisms implemented by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

Accordance with the auditor, article 31.9 of the Rules of the Board of Directors establish that powers of the Audit Committee are the following:

- Inform the Shareholders General Meeting about issues raised in relation to those matters that are the competence of the Committee.
- Monitor the effectiveness of the Company internal control, the internal audit and risk management, including the tax systems, as well as to discuss with the accounts auditor the significant weakness of the system of internal control detected in the development of the audit.
- Supervise the mandatory preparation and presentation of financial information procedure.
- Take to the Board of Directors proposals for selection, appointment, re-election and replacement of the external auditor, as well as the conditions of his/her contract and regularly gather information on the audit plan and its implementation, in addition to preserving its independence in the exercise of his/her responsibilities.
- Establish appropriate relations with external auditors to receive information on those matters which may compromise their independence, for their consideration by the Committee, and any others related to the audit process of development, as well as any other communications provided for in the accounts auditor law and the auditing standards. In any case, they must receive annually from external auditors their independence declaration in relation to the entity or entities related to it, directly or indirectly, as well as the information of additional services of any kind provided and

corresponding fees perceived from these entities by the external auditor or by persons or entities related to it in accordance with the provisions of the law on accounts audits.

- Annual issuing, prior to the issuance of the accounts audit report, a report that will express an opinion on the independence of the accounts auditor. This report must contain, as the case may be, the valuation of the provision of additional services referred to in the above section, individually and jointly considered, different from the legal audit and in relation to the regime of independence or regulatory audit standards.
- Report, prior to the Board of Directors on all matters stipulated by law, the bylaws and the Board Regulation

C.1.36 Indicate whether the company has changed its external audit firm during the year. If so, identify the incoming audit firm and the outgoing auditor.

Yes

No

C.1.37 Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the company and/or its group.

Yes

No

	Company	Group	Total
Amount of other non-audit work (thousands of euros)	138	41	179
Amount of other non-audit work/Total amount billed by audit firm (as a %)	50.55%	29.20%	43.28%

C.1.38 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. Indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of those reservations or qualifications.

Yes

No

C.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements of the company and/or its group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited:

	Company	Group
<b>Number of consecutive years</b>	4	4
<b>Number of years audited by current audit firm/Number of years the company's financial statements have been audited (%)</b>	4/100%	4/100%

C.1.40 Indicate and give details of any procedures through which directors may receive external advice:

Yes

No

<b>Procedures</b>
The Board of Directors' Regulation expressly states, in article 17.2, that Members can, where appropriate, request external advice at the Company's expense.

C.1.41 Indicate whether there are procedures for directors to receive the information they need in

sufficient time to prepare for the meetings of the governing bodies:

Yes

No

<b>Procedures</b>
Board of Directors Rules establish in article 17.1 that in order to be aided in the performance of their duties, all Directors may obtain from the Company the necessary assistance for the fulfillment of their obligations. Also Board of Director Rules establish in article 23.3 the Board of Directors notice of meeting will be made by written notification, by electronic mail, registered mail or any other means that allow reception confirmation, addressed personally to each of the Directors at the address or email provided in their appointment or, as the case may be, the one notified to the Company, at least five days before the date of the meeting.

C.1.42 Indicate and, where appropriate, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might harm the company's name or reputation, tendering their resignation as the case may be.

Yes

No

<b>Details of rules</b>
Article 18 of the Board of Directors rules establish that the Director will act with the diligence of an orderly businessman and a loyal representative. Directors will inform the Board of Directors about any conflict situation, direct or indirect, which the Company may be interested in, and shall refrain from participating in the deliberation and voting on agreements or decisions in which he/she or a person related to him/her have a conflict of interest, direct or indirect. Agreements or decisions affecting him/her as a Director, such as its appointment or revocation of Board of directors' positions or other of analogous meaning will be excluded from this obligation of abstention.
Also article 22 of the Board of Directors rules establish that directors shall also inform of any significant change in their professional situation, which affects the nature or condition whereby the Director had been appointed. Of the judicial, administrative or any other procedures that are initiated against the Director and that, by their importance or characteristics, could harm the credit or reputation of the Company.
In the case of Proprietary Directors, these shall abstain from participating in the voting of matters that may involve a conflict of interest between the shareholders who have proposed their appointment and the Company.
Rules of the Board of directors establish in article 15.2 that the Directors must place their position at the disposal of the Board of Directors and formalize, if deemed convenient, their resignation in the following cases: (a) When they have incurred in any of the incompatibility or prohibition cases stipulated by the law or the by-laws. (b) When their continuation in the Board can jeopardize or harm the interests, the credit or the reputation of the Company or when the reasons due to which they were appointed disappear. (c) In the case of Proprietary Shareholders (i) when the represented shareholder sells his/her entire shares participation or significantly reduces it, and (ii) in the corresponding number, when said shareholder reduces their share participation to a level that demands the reduction of the Proprietary Directors. (d) When termination in the executive positions to which the appointment as Director is associated.

C.1.43 Indicate whether any director has notified the company that they have been indicted or tried for any of the offences stated in article 213 of the Spanish Limited Liability Companies Law:

Yes

No

C.1.44 List the significant agreements entered into by the company which come into force, are amended or terminate in the event of a change of control of the company due to a takeover bid, and their effects.

Not apply.

- C.1.45 Identify, in aggregate form and provide detailed information on agreements between the company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other.

<b>Number of beneficiaries</b>	1
<b>Type of beneficiary</b>	<b>Agreement description</b>
Executive director	The amount of the severance payment will be the equivalent of two years' remuneration, which will be calculated as half of the total complete remuneration payments over the two fiscal years prior to the date of termination.
Finance director	The compensation is equivalent to 1.5 times his or her salary until 31 December 2018.

Indicate whether these agreements must be reported to and/or authorized by the governing bodies of the company or its group.

The CEO's contract was authorised by the General Meeting.

The Finance Director's contract was studied by the Appointments and Remuneration Committee for subsequent authorisation by the Board of Directors.

## C.2 Board committees

- C.2.1 Give details of all the Board committees, their members and the proportion of proprietary and independent directors.

### AUDIT COMMITTEE

<b>Name</b>	<b>Position</b>	<b>Type</b>
Mr. José Barreiro Hernández	Chairman	Independent
Mr. Daniel B. More	Vowel	Independent
Mr. Paul Jeffery	Vowel	Independent
Mr. Cristóbal González Wiedmaier	Vowel	Proprietary
Mr. Rajaram Rao	Vowel	Proprietary

<b>% of proprietary directors</b>	40%
<b>% of independent directors</b>	60%

Explain the functions assigned to the committee, describe the procedures and rules of organization and operation thereof and summarize the most important activities during the year.

#### 1.-Audit Committee functions

Board of Directors rules in article 31 sets out the functions attributed to the Audit Committee, which are the following:

- Inform the Shareholders General Meeting about issues raised in relation to those matters that are the competence of the Committee.
- Monitor the effectiveness of the Company internal control, the internal audit and risk management, including the tax systems, as well as to discuss with the accounts auditor the significant weakness of the system of internal control detected in the development of the audit.
- Supervise the mandatory preparation and presentation of financial information procedure.
- Take to the Board of Directors proposals for selection, appointment, re-election and replacement of the external auditor, as well as the conditions of his/her contract and regularly gather information on the audit plan and its implementation, in addition to preserving its independence in the exercise of his/her responsibilities.
- Establish appropriate relations with external auditors to receive information on those matters which may compromise their independence.
- Annual issuing, prior to the issuance of the accounts audit report, a report that will express an opinion on the independence of the accounts auditor.
- Report, prior to the Board of Directors on all matters stipulated by law, the bylaws and the Board Regulation and particularly: (i) the financial information that the Company should make public periodically; (ii) the creation or acquisition of shares in entities with special purpose or registered offices in countries or territories which are considered as tax havens; and (iii) transactions with related parties.
- Supervise the preparation process and completeness of financial information on relation with the Company and, where applicable, the group, reviewing compliance with regulatory requirements.
- Ensure the independence of the unit that assumes the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the budget for this service; adopting the guidance and approve the work plans, ensuring that their activity is mainly focused on significant risks facing the Company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- Establish and supervise a procedure that allows employees to communicate, confidentially, irregularities of potential significance, especially financial and accounting, which they observe within the company.

#### 2.-Organization and operation rules of the Audit Committee.

According set out at article 16 of bylaws, the Company will have an Audit Committee, composed by a minimum of three and a maximum of five Board Members, appointed by the Board of Directors. Also article 31 of the Board of Directors rules sets out that it is taking care most of its members should be independent members. Members of the Audit Committee and particularly its president shall be appointed taking into account their knowledge and experience in accounting, auditing, or risk management. The members of the Audit Committee shall serve in office for a maximum period of four years and may be re-elected, one or more times for periods of equal duration. The Chairman of the Committee shall be elected from among the independent members for a period not exceeding four years and may be re-elected one year after leaving office. The Board of Directors Secretary will attend its meetings, with voice but without vote, drafting the meeting minutes, copies of which, once approved, will be sent to all Board members.

The Audit Committee will only be considered as incorporated when attending the majority of its members and will adopt agreements by the majority of the attendants, in case of a tie vote, the vote of the Chairman will decide. It will meet upon call by its Chairman and at least, with a quarterly periodicity, with the purpose of reviewing the financial information that, in accordance with article 35 of the Securities Market Act, the Board of Directors has to refer to authorities supervising the markets as well as the information that the Board of Directors shall approve and include within its annual public documentation. Audit when specially convened, can attend the meeting, and including any employee or officer of the Company.



Insofar as it is necessary and with the necessary amendments, the provisions of this Regulation regarding the operation of the Board of Directors will be applied to the Audit Committee.

**3.-Most important activities during the year**

- Information for the Board of Directors on the Annual Financial Report.
- Issue of Saeta Company Accounts Independent Audit Report.
- Evaluation and report by the Audit Commission's report to the Board of Directors.
- Revision and approval of the 2017 quarterly and six-monthly interim statements.
- Review and approval of the Consolidated Abridged Intermediate Financial Statements.
- Authorisation for contracting of the audit firm Deloitte for fiscal and financial Due Diligences, and for issuance of the certificate in accordance with in Section 1.b.2 of article 71 bis of the Insolvency Act (Ley Concursal).
- Authorization of the contracting of Deloitte to carry out the financial and fiscal Due Diligence of the Lestenergía portfolio.
- Re-election of the company's account auditors.
- Information regarding the new Dividend Policy, the new recurrent CAFD level, and the target dividend level.
- Appointment of the Chairperson of the Audit Committee.
- Information regarding a contract with linked parties for a company in the group.
- Information on the modification of the "Contract of the First Offer and Purchase Option Law" (ROFO) with ACS Servicios Comunicaciones y Energía, S.L. and Bow Power S.L. (operation with linked party).

Identify the member of the audit who has been appointed considering their knowledge and experience in accounting, auditing or both and report on the number of years that the President of this Committee has been in office director.

<b>Director with experience</b>	Mr. José Barreiro Hernández Mr. Daniel B. More Mr. Paul Jeffery Mr. Cristóbal González Wiedmaier Mr. Antoine Kerrenneur
<b>Number of years the president in charge</b>	Chairman since September 19, 2017

**APPOINTMENTS AND COMPENSATION COMMITTEE**

<b>Name</b>	<b>Position</b>	<b>Type</b>
Mr. José Barreiro Hernández	Chairman	Independent
Mr. Daniel B. More	Vowel	Independent
Ms. Cristina Aldámiz-Echevarría González de Durana	Vowel	Proprietary
Mr. Deepak Agrawal	Vowel	Proprietary

<b>% of proprietary directors</b>	50%
<b>% of independent directors</b>	50%

Explain the functions assigned to the committee, describe the procedures and rules of organization and operation thereof and summarize the most important activities during the year.

#### 1.-Appointments and Remuneration Committee functions

Board of Directors rules in article 32 sets out the functions attributed to the Audit Committee, which are the following:

- Evaluate the competencies, knowledge and experience needed in the Board of Directors. For this purpose, it will define the functions and skills necessary for the candidates who need to fill each vacancy and evaluate the time and dedication so that they can effectively play their role.
- Set a goal of representation for the under-represented gender in the Board of Directors and develop directives on how to achieve this objective.
- Present to the Board of Directors those proposals for the appointment of Independent Directors for their appointment designation by co-optation or for its presentation to the decision of the Shareholders General Meeting, as well as proposals for re-election or separation of these Directors by the Shareholders General Meeting.
- Inform about the proposals for appointment of the remaining Directors for appointment by co-optation or for presentation to the decision of the Shareholders General Meeting, as well as proposals for re-election or separation by the Shareholders General Meeting.
- Inform about the proposals for appointment and separation of senior managers and the basic terms of their contracts.
- Examine and organize the succession of the Board of Directors Chairman and the Chief Executive of the company and, where appropriate, make proposals to the Board of Directors so that said succession takes place in an orderly and planned manner.
- Propose to the Board of Directors the directors and general managers' remuneration policies or those who develop the positions of senior management under the Board, Executive Committees or CEO, as well as the individual remuneration and other contractual terms and conditions of the Executive Directors, ensuring their compliance.
- Check the remuneration policy established by the Company.
- Periodically review the remuneration policy applied to Members and senior executives, including remuneration systems and its application actions and ensure that their individual remuneration is proportionate to that other Members and senior executives are paid the Company.
- Ensure that the remuneration of the external auditor for his work does not compromise quality or independence.
- Verify information about remuneration of Members and senior management contained in the various corporate documents, including the annual report on remuneration of directors.
- Supervision of compliance with internal codes of conduct, corporate governance rules of the Company and corporate social responsibility policy.

#### 2.- Organization and operation rules of the Appointments and Remuneration Committee

The Company will have an Appointment and Remuneration Committee, consisting of a minimum of three and a maximum of five members, appointed by the Board of Directors. All the members of the Appointment and Remuneration Committee are Non-executive Directors and at least two are Independent Directors. The Directors composing the Appointments and Remuneration Committee will exercise their position as long as they are Company Directors, unless otherwise agreed by the Board of Directors. The renewal, re-election and dismissal of Directors that comprise the Committee are governed by what has been agreed by the Board of Directors.

The Appointments and Remuneration Committee shall appoint from among its independent members, a Chairman. The Chairman will attend its meetings, with voice but without vote, acting as Secretary drafting the meeting minutes, copies of which, once approved, will be sent to all Board Directors.

The Committee will only be considered as incorporated when attending the majority of its members and will adopt agreements by the majority of the attendants, in case of a tie vote, the vote of the Chairman will decide. It will meet by prior notice of its Chairman and at least twice a year.

Insofar as it is necessary and with the necessary amendments, the provisions of this Regulation regarding the operation of the Board of Directors will be applied to the Appointment and Remuneration Committee.

#### 3.-Most important activities during the year

- Information on the Annual Report on remunerations.
- Assessment and reporting on performance of the Appointments and Remuneration Committee, the Board of Directors, the Chairperson of the Board of Directors, and the CEO.
- Completion of the report on the proposal for variable remuneration for the Managing Director in relation to performance in the 2016 Financial year.
- Production of the report on the proposal for the CEO's variable compensation, as corresponding to performance during fiscal year 2016.
- Analysis on remuneration for the Board and management team.
- CEO's objectives for Saeta Yield.
- Report on amendment of terms and conditions from the contract for Saeta Yield's Finance Director.
- Proposal to the Board of Directors regarding amendment of the Remuneration Policy for the Board of Directors.
- Information regarding modification of the compensation for the Board.
- Information regarding modification of the maximum variable for the Executive Committee.
- Proposal for appointment of a member of the Appointments and Remuneration Committee.

C.2.2. Complete the following table on the number of female directors on the various Board committees over the past four years.

	Number of female directors			
	Year 2017	Year 2016	Year 2015	Year 2014
	Number %	Number %	Number %	Number %
<b>Audit Committee</b>	0%	0%	20%	
<b>Appointment and Compensation Committee</b>	25%	20%	0%	

C.2.3. Paragraph repealed.

C.2.4. Paragraph repealed.

C.2.5. Indicate, as appropriate, whether there are any regulations governing the Board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the year. Also, indicate whether an annual report on the activities of each committee has been prepared voluntarily.

**Audit Committee**

The Audit Committee is governed by article 16 of the Articles of Association and article 31 of the Board of Directors' Regulation. Both documents are available on the company's website <http://www.saetayield.com>.

The report on the performance of the Audit Committee was approved during the Audit Committee meeting of 28 February 2017.

**Appointments and Remuneration Committee**

The Appointments and Remuneration Committee is governed by article 16 of the Articles of Association and article 32 of the Board of Directors' Regulation. Both documents are available on the company's website <http://www.saetayield.com>.

The report on the performance of the Appointments and Remuneration Committee was approved during the Appointments and Remuneration Committee meeting of 28 February 2017.

C.2.3. Paragraph repealed.

## D

**RELATED-PARTY AND INTRAGROUP TRANSACTIONS**

D.1 Identify the competent body and explain, if applicable, the procedures for approving related-party or intragroup transactions.

<b>Procedures for approving related-party transactions</b>
<p>Board of Directors regulation establish in article 6 non-delegable responsibilities board of directors, the approval, following a report of the Auditing Committee, of the operations that the company or its group of companies made with advisors, under the terms of articles 229 and 230 of Corporate Law, or with shareholders, individually or jointly, of a significant participation, including shareholders represented on the Company Board of Directors or other companies that are part of the same group or with people related to the above. Only operations that simultaneously meet the following three criteria will not be included in this approval:</p> <ul style="list-style-type: none"> <li>(a) That are carried out under contracts which conditions are standard and are mass applied to a high number of customers,</li> <li>(b) made at established prices or rates in general by who is acting as administrator of the good and service in question and</li> <li>(c) that their amount does not exceed one percent of the Company annual revenue.</li> </ul> <p>In these cases the approval is delegated to the Management Committee.</p> <p>Also, Board of Directors regulation sets out in article 39 establishes the competences of the Audit Committee, report in advance to the Board on all matters prescribed by law, the bylaws and the Regulations of the Board of Directors in particular on related party transactions.</p> <p>Meanwhile Article 21.2 of the Board of Directors' Regulations establishes that the duty to avoid situations involving a conflict of interest obliges the Director, save when compliance is waived in accordance with Article 230 of the Law on Corporations, to abstain from engaging in transactions with the Company, unless it is a matter of ordinary operations, carried out in standard conditions for the customers and of scant relevance, meaning those operations the details of which are not needed to present a true image of the company's assets, its financial position or its results.</p>

D.2 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders.

Name or company name of relevant shareholder	Name or company name of the company or its group	Type of relationship	Type of the operation	Amount (in thousands of euros)
Cobra Concesiones, S.L.	Al Ándalus Wind Power, S.L.U.	Mercantil	Contratos de gestión o colaboración	(4.404)
	Eólica del Guadiana, S.L.U.	Mercantil	Contratos de gestión o colaboración	(1.033)
	La Caldera Energía Burgos, S.L.U.	Mercantil	Contratos de gestión o colaboración	(459)
	Parque Eólico Santa Catalina, S.L.U.	Mercantil	Contratos de gestión o colaboración	(1.113)
	Parque Eólico Sierra de las Carbas, S.L.U.	Mercantil	Contratos de gestión o colaboración	(922)
	Parque Eólico Tesosanto, S.L.U.	Mercantil	Contratos de gestión o colaboración	(1.098)
	Parque Eólico Santa Catalina, S.L.U.	Mercantil	Otros gastos	(562)
	Al Ándalus Wind Power, S.L.U.	Mercantil	Otros gastos	(619)
	Al Ándalus Wind Power, S.L.U.	Mercantil	Otros ingresos	137
	Saeta Yield, S.A.	Societaria	Dividendos y otros beneficios distribuidos	(14.921)
GIP Helios, s.á.r.l.	Saeta Yield, S.A.	Societaria	Dividendos y otros beneficios distribuidos	(14.798)

D.3 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's managers or directors.

Name or company name of the directors or managers	Name or company name of the related party	Type of relationship	Type of the operation	Amount (in thousands of euros)
Mr. José Luis Martínez Dalmau		Consejero Ejecutivo	Pago de dividendos	6
Mr. José Barreiro Hernández		Consejero no ejecutivo/ Independiente	Pago de dividendos	20
Mr. Álvaro Pérez de Lema de la Mata		Director Financiero	Pago de dividendos	6
Mr. Francisco González Hierro		Director de Operaciones	Pago de dividendos	1

D.4 List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities.

With respect to significant transactions carried out by the company with other entities belonging to the same group, the amount relating to long-term loans corresponds to a participating (profit-sharing) loan granted by Parque Eólico Valcaire, S.L.U. to the company SEC Valcaire, with this loan accruing interest on its fixed portion at the Euribor rate plus a 1% margin, and on its variable portion at 5% if the Company shows a profit. This loan matures in December of 2032.

D.5 Indicate the amount from related party transactions.

Expenses and Incomes	Euros		
	Management or collaboration agreements	Other expenses	Other incomes
Centro de Control Villadiego, S.L.	(302)	-	-
Cobra Instalaciones y Servicios, S.A.	(25.650)	84	2.432
Tecneira	(18)	-	-
CME	-	-	302
Manchasol 1, Central Termosolar Uno	-	-	-
<b>Total</b>	<b>(26.057)</b>	<b>(84)</b>	<b>2.734</b>

Other transactions	Purchase of financial assets (equity and subordinated debt)	Other transactions
CME	103.725	-
<b>Total</b>	<b>103.725</b>	<b>-</b>

## D.6 List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group, and its directors, management or significant shareholders.

Article 21 of the Regulations of the Board of Directors specifically regulates conflicts of interest providing that, in regard to the duty of loyalty they deserve, Directors must not:

- (i) Performing transactions with the company, except when dealing with ordinary operations, made under standard conditions for clients and of little importance, understanding as such those which information is not needed to provide the true and fair view of equity, the financial situation and results of the entity.
- (ii) Use the name of the Company or invoke his/her status as Director to unduly influence private operations.
- (iii) Use social assets, including the confidential information of the company, for private purposes.
- (iv) Take advantage of Company business opportunities.
- (v) Obtain benefits or remuneration from third parties other than the Company and its group associated with the performance of his/her position, except in the case of mere courtesy actions.
- (vi) Develop activities on his/her own account or that of third parties that represent a real competence, either current or possible, with the Company or which in any other way, put him/her in permanent conflict with the Company interests.
- (vii) The above provisions shall apply also where the beneficiary of the actions or prohibited activities is a person related to the Director.

There is also an Internal Code of Conduct in matters relating to the securities market comprising a set of rules designed to detect and regulate possible conflicts of interest between the company and / or its group and its directors, managers or significant shareholders. The Regulation applies, in general, members of the Board of Directors and other officers or employees of the Company or its group habitually in contact with information relating to the Company or securities that can typically be regarded insider trading (performance information on possible corporate transactions on acquisition or disposal of relevant assets, etc.).

Article 11 of the Internal Regulations of Conduct in Matters Connected with the Securities Market establishes that the Persons Subject (whether these are executives or employees of the Company or of its Group, and who are therefore in regular contact with information relating to the Company or Affected Securities ) and Persons Temporarily Subject (meaning those other executives or employees of the Company or of its Group who, in relation to a specific operation or situation, have access to privileged information) will act in situations of conflict of interest (a clash between the interest of the Company and their own interests, also including those which affect Persons Closely Associated and the interests of persons or bodies represented by dominical directors) in accordance with the following principles: a) Independence: they must at all times act with loyalty towards the Company, irrespective of any conflict with their own or third-party interests which could affect them. b) Abstention: they must abstain from intervening in or influencing decisions regarding those matters affected by the conflict. c) Confidentiality: they shall refrain from accessing confidential information affecting the conflict in question.

In addition, Persons Subject must present the Monitoring Unit with a declaration, to be kept permanently updated, detailing any situations and relationships which could give rise to situations of conflict of interest.

This declaration shall in all cases include the execution, on their own account or for a third party, of activities which are analogous or complementary to those of the Company, and any organisational or service relationship, and any direct or indirect stake in excess of 3% in companies engaged in activities analogous or complementary to those of the Company.

Notifications must be served at the earliest possible opportunity once the actual or potential situation of conflict of interest becomes apparent, and in all cases prior to adopting any decision which could be affected by the potential conflict of interest.

## D.7 Is more than one Group company listed in Spain?

Yes

No

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

### E.1. Explain the scope of the company's Risk Management System, including tax risks.

In the 2016 financial year, the Saeta Yield Group have a Risk Management Policy including tax, which establishes a framework for the comprehensive management of risks, both financial and non-financial, including tax risks. This risk management policy provides an overview of the risk management focus throughout the company, the purpose being to describe:

- Applicable risk categories
- Framework and methodology employed to identify and manage risks
- Responsibility for risk management
- Governance and supervision of risk management-related activities

Risk management within the Saeta Yield Group is considered at a Global level, managed centrally whilst considering both financial and non-financial risks, handling them on an individual basis in terms of monitoring and applying the appropriate mitigating actions. Equally, in addition to the general risk management policy, the Group have a specific risk management policies for certain highly relevant risks within the Group.

Below are the main risk categories considered within the risk policy that are applicable to the Saeta Yield Group.

- Financial risks
- Legal risks (including fiscal risks)
- Strategic risks
- Business Environment risks
- Business risks
- Operational risks
- Reputational risks

In addition, the corporate risk map includes the risks in these categories:

- Existence and occurrence
- Integrity
- Assessment
- Presentation, breakdown and comparison
- Rights and obligations

Within this Risk policy, there is a "Saeta Yield risk management cycle", which includes the following stages:

- 1 Risk identification
- 2 Risk evaluation and measurement
- 3 Risk prioritization and response
- 4 Establishment of the risk control environment
- 5 Risk reporting
- 6 Notification regarding risk at the organisation
- 7 Risk monitoring
- 8 Updating of the risk management model

During each one of the risk management cycle stages, the procedures and people responsible for each stage are established, as well as relevant conceptual explanations.

During the risk evaluation and measurement stage, the risks are evaluated in order to determine the potential effect that they could have on the Saeta Yield Group's financial statements, and on the achievement of objectives. In order to carry out the most detailed evaluation possible, the following are used:

- Qualitative and quantitative factors (probability, impact, etc.)

- Mathematical models
- Expert opinions
- Experience
- Impact of risks on similar sectors

The severity of these risks is also evaluated through quantitative factors, such as:

- The probability of the risk occurring (expressed as a number of times per time period)
- The impact of the risk in financial terms, operational interruptions and operational efforts.

On the other hand, the Saeta Yield Group has internal Policies and Documentation based on the obligations indicated in the Current Legislation, applicable to the Group's business development, and based on the best practices listed in the Listed Companies Good Governance Code, which encourages optimum risk management and supervision and achievement of objectives (Investment and finance policy, dividends and cash flow limits policy, remuneration policy of the Board of Directors, Corporate Governance Structure, etc.).

Additionally, Saeta Yield Group have defined a Fiscal Policy which includes operational principles, responsibilities and objectives of the employees participating in fiscal management, promoting the appropriate and efficient conduct thereof, and the probability that these tax risks materialize much lower.

## E.2. Identify the company bodies responsible for developing and implementing the Risk Management System, including tax risks.

Risk Management Policy set up, the main risk management roles are as follows:

- The Risk Owners are the users or areas closest to the material risk, within the company's business area. As a consequence, each business area has the duty to identify the risks associated with performance of its functions and to inform the Compliance Committee both of the risks identified and the needs detected, so as to take them into consideration within the overall company risk management framework.
- The Compliance Committee, along with each of the business areas, is responsible for identifying all risks affecting the development of the Saeta Yield Group's business. The Compliance Committee develop risk management in an independent manner, managing the Risk Owners and reporting to the Board of Directors and the Committees. In performing its task it will be obliged to follow the considerations established by the Audit Committee in terms of limits, methodologies, monitoring and any other inherent risk management consideration. Due to the changeable nature of Risks, both in terms of type and quantity, the Monitoring Committee must identify new risks that affect the Saeta Yield Group and update the risk management template in accordance with these risks.
- The Internal Audit department is responsible for performing supervision of the entire risk management process on an independent basis, and for developing consultancy and support functions for each of the areas and users integrated within risk management. The Audit Committee, independently, is in charge of sending the Board of Directors to all information relevant to financial risk management. The Audit Committee will perform supervision of the financial risk management model of the company, will evaluate the performance of the Function within the context of financial risks, will act as a support and assistance body, and will conduct the study and approval of modifications to this risk policy, including tax, along with any other document connected with the management of the company's financial risks. The Audit Committee will independently be responsible for passing on to the Board of Directors all information relevant to the management of financial risks.
- The Appointments and Remunerations Committee perform supervision of the company's non-financial risk management model, evaluate the performance of the Compliance Committee within the context of non-financial risks, act as a support and assistance body and will perform a study and approval of modifications to any document connected with the management of the company's non-financial risks. The Appointments and Remunerations Committee will independently be responsible for passing on to the Board of Directors all information relevant to the management of non-financial risks.



- Additionally, rules of the Board of Directors in article 6.1.n) set up that the Board of Directors cannot be delegated the establishment of the control and risk management policy, including prosecutors, and the supervision of the internal information and control systems.

### E.3. Indicate the main risks, including tax risks, which could affect achievement of business objectives.

The principal risks that affect the Saeta Yield Group's business activities are:

- Strategic Risks, derived from failure to pay the dividend or meet growth expectations.
- Business Environment Risks, primarily derived from regulatory changes that have an impact on Saeta's current business model, and adverse changes in macroeconomic indicators.
- Business Risks, including increased Operating Expense (OPEX), reduced energy prices or production, or breach of the Power Purchase Agreement (PPA) by the counterparty.
- Financial Risks, which include liquidity risk, exchange rate risk, credit risk, risks derived from interest rate fluctuations, and risks of from inability to repay the debt taken on.
- Legal Risks, linked to violation of the legislation in force that is applicable to the business activities of the Saeta Yield Group, including tax regulations.
- Operational Risks, which include those related to occupational safety, staff and organisation, impact on normal business activities, errors in processes and information systems, and ethics and conduct.
- Reputational Risks, derived from the impact that materialisation of all other risks could have on the perspectives of the market and investors regarding the Saeta Yield Group and its business activities.

### E.4. Identify if the company is risk tolerant, including tax risks.

The Risk Management Policy states that any risk identified by the Compliance Committee must be passed on to the Audit Committee and Appointments and Remuneration Committee for evaluation and to understand the potential effect that it may have on achieving the Group's objectives.

The methodology used to obtain the most accurate estimation of the effect of this risk is based on:

- Variables which determine the probability that the risk will occur and the impact that it could have if it occurs,
- Mathematical models which help calculate the expected loss due to the risk based on previously defined variables
- Experience
- Legal opinion, and
- The impact on similar sectors

In addition, once the risk has been evaluated, the severity and criticality of the risks will be determined based on previous evaluations in order to establish those which need to be managed as a priority. There can be risks that are not considered as severe, but they are deemed very critical due to the company's experience and strategy.

The possible responses to the risk are:

- Acceptance
- Mitigation
- Transfer
- Avoidance

The level of acceptable risk (risk appetite) is determined regularly by the Audit, Risk Supervision and Compliance Committee for financial risks, and the Appointments and Remunerations Committee for non-financial risks. This risk appetite is defined based on variables and concepts indicated previously (probability, impact, mathematical models, severity, criticality, experience, expert opinion, etc.) and based on business strategy and established objectives.

**E.5. Identify which risks have arisen during the financial year, including tax risks.**

During fiscal year 2017 certain business-related risks were materialised, such as failure of the high-voltage lines at the Abuela Santa Ana and Santa Catalina plants resulting from a snowstorm in January, causing both plants to remain shut down for much of the first quarter of the year. However, thanks to the insurance covering these plants in relation to material damages and civil liability, the economic impact has been very low. On the other hand, there are also infrastructure incidents with a small amount of economic impact, caused by circumstances related to the business itself.

**E.6. Explain the plans in place to respond and supervise the main company risks, including tax risks.**

The principal risks identified have a series of controls associated with them, which have allowed the risks to be identified with sufficient early warning to ensure a proper response.

During fiscal year 2017 a self-assessment was carried out on the Internal Financial Information Control System (SCIIF in Spanish), which establishes an annual report on risks and controls, and the first internal audit of this system was performed. Additionally, on an annual basis the Audit Committee, together with the Appointments and Remuneration Committee, reviews the risk management model in order to ensure that it is being executed correctly and effectively.

**F****INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATED TO THE FINANCIAL INFORMATION ISSUANCE PROCESS (SCIIF)**

Describe the processes included within the control and risk management systems in relation to the financial information issuance process (SCIIF) at the company.

**F.1 Company's control environment**

As a minimum, please provide information on the following, indicating their main characteristics:

**F.1.1 Which bodies and/or functions are responsible for: (i) the existence and maintenance of an appropriate SCIIF; (ii) its implementation; and (iii) its supervision.**

Based on article 37.2 of the Board of Directors regulation, which states that the Board of Directors will adopt the necessary measures to ensure that regular financial information, and any other that is provided to the markets, is developed in accordance with the same principles, criteria and professional practices used to develop the annual accounts, therefore enjoying a high level of reliability, it is therefore determined that the Saeta Yield Board of Directors has ultimate responsibility for the existence and maintenance of an appropriate and effective financial information internal control system ("SCIIF").

Also, article 31.9 of the Board of Directors rules set up that the Audit Committee must monitor the effectiveness of the Company internal control, the internal audit and risk management, including the tax systems.

The Saeta Yield Group has defined and implemented the Financial Information Internal Control System (SCIIF). This system is defined through:

- General SCIIF policy, through which the scope, objectives, key factors for an efficient SCIIF, roles and responsibilities, the organisational structure for supervising the SCIIF and the reporting system are established.
- Flow charts and narrative descriptions of the Group business development processes, as well as those associated to the SCIIF.
- Risk matrices - Checks associated with the described processes.
- SCIIF report templates.

During the 2017 financial year, a self-evaluation of the Financial Information Internal Control System (SCIIF) was carried out for the first time.

The SCIIF is a process which affects all levels of the organisation and is carried out by the staff of the entity involved in the processes. SCIIF policy establish that the main roles relating to the Saeta Group's Financial Information Internal Control System are as follows:

- The Board of Directors is ultimately responsible for SCIIF supervision and establishes the organisational structure required to allow monitoring through the delegation of this task to the Audit Committee. Furthermore, it will be responsible for approving the general SCIIF policy.
- The Audit Committee is responsible for supervising the preparation process and integrity of the financial information for the company and, as applicable, for the group, including verification of proper design and effective operation of the Internal Financial Information Control System (SCIIF in Spanish), compliance with regulatory requirements, accurate demarcation of the scope of consolidation, and proper application of accounting standards.
- Internal audit will plan the supervision and evaluation of the SCIIF with the appropriate scope and frequency to be able to draw a conclusion on its effectiveness.
- The Steering Committee is responsible for approving the design of the Group's financial information internal control system. Furthermore, it will have overall responsibility for the SCIIF.
- Saeta's Financial Department will be responsible for:
- Establishing the design, implementation, and overall monitoring of the Group's financial information internal control system. As a result, it will establish the system and implement the necessary structure for its supervision, therefore ensuring that it operates effectively.
- Identifying error or fraud risks in financial information through the SCIIF scope matrix and to document the design of the checks. Furthermore, it is their responsibility to inform the internal and external auditor of changes to the Financial Information Internal Control system.
- Ensuring that sufficient procedures are carried out for the appropriate distribution, implementation and operation of the financial information internal control system.

**F.1.2** If they exist, particularly in relation to the financial information development process, the following elements:

- Responsible departments and/or systems: (i) for the design and review of the organisational structure; (ii) to clearly define lines of responsibility and authority, with appropriate distribution of tasks and roles; (iii) to ensure that sufficient procedures exist for appropriate distribution within the entity.

The Board of Directors has defined the structure of the companies group, of which Saeta is the lead company, as established in article 6.1 of its Regulation. In March of 2015 the group's general organisational structure was presented to the Board of Directors. In accordance with the Rules for the Board of Directors, the Appointments and Remuneration Committee is responsible, as a delegated committee of the Board, and among other duties, for reporting on appointments of senior executives and the basic terms and conditions from their contracts. In addition, the design and review of the organisational structure and the definition of lines of responsibility and authority for each area, as well as corresponding distribution to the CEO.

- Code of conduct, approval body, degree of distribution and instruction, included values and principles (indicating if there are specific references to the operations log and development of financial information), the body responsible for analyzing non-fulfilments and proposing corrective actions and sanctions.

The Saeta Yield Group has:

- **A general code of conduct**, which describes the basic behavioral principles which apply to all administrative bodies and all Group employees. All employees are required to read and comply with this code, as well as collaborate to implement it within the Company. Similarly, Saeta Yield commits to distributing this Code of Conduct amongst all employees. In order to easily distribute this code, all new employees must sign, along with their contract, a certificate confirming that they have read, understood and agree to comply with the code of conduct.

In order to promote dissemination and awareness of the Code, oversee compliance with it, resolve incidents or uncertainties about its interpretation, and adopt appropriate measures to improve compliance, the Saeta Yield Group has a Compliance Committee consisting of three members appointed by Saeta Yield's Board of Directors, after they have been proposed by the Appointments and Remuneration Committee (they are the Secretary of the Board, internal auditor, and Director of Legal Affairs). When updates are being made to the Code of Conduct, this Compliance Committee is responsible for disseminating these updates; for verifying that everyone has sufficient training in order to manage the risks that may exist in their environment; and for gathering the confirmations regarding reading and understanding of the update and compliance with it.

. This recollection of confirmations is usually through email to facilitate and speed up the distribution and recollection process.

The main principles and values in the code, mostly related to the operations log and the development of financial information, are:

- a) Integrity
  - Company loyalty
  - Legal compliance
  - Honesty in management
  - Confidentiality
- b) Professionalism
  - Quality and innovation
  - Use and protection of company assets
  - Good and appropriate relations with collaborating companies and suppliers
  - Transparency
- c) Respect:
  - Equal opportunities
  - No discrimination
  - Training
  - Occupational health and safety
  - Eliminating child labour
  - Environmental protection
  - Social commitment

Infringement or non-fulfilment of the Code, which constitutes professional misconduct, will be punished in accordance with current legislation, without prejudice to other liabilities which the offender could incur.

- A whistle-blower channel, which allows communication of financial and accounting irregularities to the audit committee, in addition to possible non-fulfilments of the code of conduct and irregular activities in the organization, indicating if it is confidential where appropriate.

The Group has a confidential whistle-blower channel which has been implemented by the General Code of Conduct Compliance Committee and which is included in this code. This whistle-blower channel is an ethical channel which allows anyone to provide information, through an email or letter, about conduct or irregularities at Saeta Yield or any non-fulfilment of the standards listed in the Code.

This ethical channel is controlled by the Compliance Committee, which is responsible for establishing the appropriate communication channels so that any employee can seek or provide information on compliance, ensuring confidentiality at all times for the complaints which are handled.

- Training and regular training update programmes for staff involved in the preparation and review of financial information, as well as SCIIF evaluation, which will cover at least accounting regulations, auditing, internal control and risk management.

In the Code of Conduct, Saeta Yield commits to maintaining a training policy for the education and personal and professional development of its staff in order to achieve the best performance, quality and satisfaction in fulfilling their duties.

Each one of the Group's areas will be responsible for annually establishing its employees' training requirements.

During fiscal year 2017 it participated in a variety of training activities, which included among others a course on financial forecasting, seminars on Spain's General Accounting Plan, a course on Corporation Tax, and a seminar on fiscal closing and accounting.

## F2 Evaluation of financial information risks

As a minimum, please provide information on the following:

### F2.1 What are the main characteristics of the risk identification process, including error or fraud risks, with regards to:

- The process exists and is documented.

The Saeta Yield Group has developed:

- a Risk Management Policy which establishes general guidelines to identify, manage and supervise risks which affect the Group, regardless of their category;
- a general SCIIF policy, through which the scope, objectives, key factors for an efficient SCIIF, roles and responsibilities, the organisational structure for supervising the SCIIF and the methodology for developing the SCIIF, including the scope of risks associated with financial information.

Based on the guidelines of these policies, risks are identified in the different processes and documented in the Risk and Control Matrix where controls are established to mitigate them.

To determine the scope of the SCIIF identified accounts and breakdowns at significant risk and whose impact on the financial information to be material considered for this quantitative and qualitative factors.

The design and scope of the SCIIF was approved by the Board of Directors to a proposed of the Audit Committee in the year 2015.

- If the process covers all financial information objectives (existence and occurrence, integrity; assessment; presentation, breakdown and comparison; and rights and obligations), if it is updated and how often.

In accordance with the SCIIF General Policy, the main purpose is that reliable financial information is distributed across the market. Reliable information implies fulfilment with the following control objectives:

- Existence and occurrence: Transactions, occurrences and other events involving financial information exist and have been recorded at the appropriate time.
- Integrity: of information: The information reflects all transactions, events and other events where the entity is

the affected party.

- Appropriate assessment: The transactions, occurrences and other events are recorded and assessed in accordance with applicable regulations.
  - Appropriate presentation, breakdown and comparison: The transactions, occurrences and other events are classified, presented and reflect the financial information in accordance with applicable legislation.
  - Appropriate reflection of rights and obligations: The financial information reflects, on the corresponding date, the rights and obligations through corresponding assets and liabilities, in accordance with applicable legislation.
- Asset safeguarding and fraud prevention/detection are considered SCIIF objectives due to the impact that they have on the 5 previous basic objectives.

Updates are generally annual, using the most recent financial information. In any case, any new identified risk will be directly taken into account when identified, and updated in the risk supervision and management policies.

- The existence of a consolidation scope identification process, taking into consideration, amongst other aspects, the possible existence of complex corporate structures or special purpose entities.

The Financial Department identifies the scope for consolidation, identifying the Limited Companies which make up the Group for their subsequent consolidation. Also, as noted above, the Audit Committee is responsible for overseeing the appropriate scope of consolidation.

- If the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax, reputational, environmental, etc.) that affect the financial statements.

The documentation, takes into consideration all risk categories (financial and non-financial) and their impact on the group's financial statements and dependent companies on an individual basis.

- Which entity governing body supervises the process.

The Audit Committee is responsible for supervising the preparation process and integrity of the financial information for the company and, as applicable, for the group, including verification of proper design and effective operation of the Internal Financial Information Control System (SCIIF in Spanish), compliance with regulatory requirements, accurate demarcation of the scope of consolidation, and proper application of accounting standards.

### F3 Control activities

As a minimum, please provide information on the following, indicating their main characteristics where applicable:

- F3.1.** Procedures to review and authorize financial information and the description of the SCIIF to be issued on the securities market, indicating those responsible, as well as documentation describing the activities and control flows (including those relating to fraud risk) for different types of transactions which could significantly affect financial statements, including the accounts closing procedures and the specific review of relevant judgements, estimations, assessments and projections.

The financial information review and authorization procedure to be issued on the securities market is carried out on a quarterly basis. To maintain reliable financial information, the following documents are available:

- Accounting policy manual: establishes the Group's accounting policies for developing its financial statements.
- "Closing and consolidation" SCIIF subprocess: this process details the submission dates for information required to develop individual and consolidated financial statements, as well as approvals and reviews to be carried out at different closures. The process has been approved by the Steering Committee.
- "Preparation of biannual/annual accounts and report to the CNMV" SCIIF subprocess: establishes the process to follow to develop biannual/annual and consolidated statements, as well as any report to be issued on the securities market. Additionally it lists all reviews to carry out on the information to be issued. The process has been approved by the Steering Committee.

The Financial Department and Steering Committee approve the financial information to be presented to the Board of Directors for its subsequent drafting and presentation on the securities market. In addition, the Audit Committee, with the support of Internal Audit, supervises the process and the passing on of the conclusions obtained for formal drafting of the accounts to the Board of Directors. Specifically, the Audit Committee's roles in this area are:

- Supervision of the appropriate identification of the consolidation scope
- Supervision of the correct application of accounting criteria
- Supervision of fulfilment of regulations

- Supervision of the financial information integrity and development process
- Review, analyse and comment on financial statements and other relevant financial information with executive management, internal and external auditors, in order to confirm that this information is reliable, understandable, relevant and that accounting criteria have been followed in accordance with the previous annual closing.

The description of the Financial Information Internal Control System (SCIIF) is defined through:

- General SCIIF policy, through which the scope, objectives, key factors for an efficient SCIIF, roles and responsibilities, the organisational structure for supervising the SCIIF and the reporting system are established.
- Flow charts and narrative descriptions of the Group business development processes, as well as those associated to the SCIIF.
- Risk matrices - Checks associated with the described processes.
- SCIIF report templates.

The previous documentation includes descriptions of the business cycles with an impact on the Group's financial information. Furthermore, it specifies existing financial transactions, considering the associated risks, control activities designed to mitigate the risks and the evidence required for each one of the checks to review and supervise the risks. In turn, the SCIIF documentation identifies the people responsible for carrying out the checks, who are the first to prevent error risks occurring in financial information.

The defined business cycles, to Saeta Group and the companies controlling, with an impact on financial information are as follows:

- Staff
- Budgeting and monitoring
- Fixed assets
- Closing and consolidation
- Cash
- Purchases and accounts payable
- Sales and accounts receivable
- Taxes and rates
- Legal Consulting
- Investments
- Finance
- Intra-group and related transactions
- Information systems

Every transaction carried out during the business development of the Saeta Yield Group is recorded in the internal financial management system; each transaction is subject to review and approval by the areas responsible for it, and any modification to a transaction or its record in the internal system must be reviewed and approved again.

Relevant opinions, estimations, assessments and projections, as well as inspection procedures for monitoring they are considered during each one of the SCIIF processes indicated previously.

Additionally, the SCIIF General Policy describes the procedures and responsibilities for supervising the SCIIF, therefore ensuring updated maintenance of checks and correct and efficient operation.

### **F3.2 Internal control policies and procedures for the information systems (including access security, exchange control, exchange operation, operational continuity and segregation of duties) which support the relevant entity processes in relation to the development and publication of the financial information.**

The information systems play an important role in the development and publication of financial information and, as a result, they are included as a specific process in the SCIIF.

The Systems Area is responsible for supporting and maintaining the IT systems (Software & Hardware), communication systems, and stored information administration systems. In turn, it is responsible of ensuring the correct degree of protection and recovery of information and programs used by the Group, ensuring compliance with legislation and legally enforceable security measures.

All activity carried out in relation to information systems is governed by the "Information Security Policy" which defines the basic principles to ensure appropriate management of the information systems and, additionally, the "Information Security Regulation" has been designed to determine all associated risks and procedures.

To ensure correct and efficient operation of all systems, as well as the reliability of the financial function and correct performance of the user functions that it develops, the Saeta Yield Group has:

The IT Code of Conduct, which establishes the general guidelines for the activities of all employees from the Group (and for external personnel who have no employment relationship with the Group but who must be given access to any service or server because of their collaborative activities), in relation to computer-related equipment, programs, and all type of software and information, both their own and that belonging to the Group, as necessary for carrying out their professional duties and the Group's business activities. As with the General Code of Conduct, the Compliance Committee is responsible for dissemination of the IT Code of Conduct, and for obtaining confirmation from all employees that they have read and understood it.

- F3.3.** Internal control policies and procedures intended to supervise the management of activities subcontracted to third parties, as well as any evaluation, calculation or assessment work carried out by independent experts, which could significantly affect the financial statements.

Each of the processes from the SCIIF includes supervision activities for the services provided by external subcontractors. As a description, within the SCIIF, all risks associated with processes (e.g. legal consulting, due diligence, production estimates based on third party information, etc.) which involves a subcontracted third party have checks defined especially to supervise and ensure quality and correct performance of the same.

#### F4 Information and communication

As a minimum, please provide information on the following, indicating their main characteristics where applicable:

- F4.1.** A specific function in charge of defining accounting policies, keeping them updated (accounting policies department or area) and resolving questions or conflicts arising from their interpretation, maintaining clear communication with those responsible for operations in the organisation, as well as an updated accounting policies manual sent to all units across the entity.

The Finance Management, and specifically the Department of Administration, is responsible for keeping the Group's accounting policies updated, along with the corresponding Manual. Additionally, any uncertainties or conflicts derived from interpretation of these must be resolved by the Finance Management.

The Department of Administration will keep the accounting policies updated in relation to any new accounting developments taking place within the national scope (Spain's General Accounting Plan or PGC in Spanish) and international scope (IFRS).

Any updates that take place will be sent to the appropriate employees via company email, and additionally the specific references will be stored on the Group server.

- F4.2.** Systems to capture and prepare financial information with a standard format, applied and used by all entity or group units, which support the financial statements and notes, as well as information provided on the SCIIF.

All accounting for the Group's companies located in Spain is carried out in the same accounting system (NAVISION), while SAP is used for the accounting in Portugal and GIA for the accounting in Uruguay. The information to be reported is also standardised, with annual updating in relation to any changes to the consolidation scope or regulations in force.

The consolidation module (INFOR) generates the Group's consolidated Financial Statements, by loading and standardising the individual financial statements recorded in the ERP systems.

The INFOR software facilitates the processes for consolidation and subsequent analysis by centralising all information corresponding to the consolidated financial statements within a single tool.



## F5 System operation and supervision

As a minimum, please provide information on the following, indicating their main characteristics:

- F5.1** The SCIIF supervision activity carried out by the audit committee as well as if the entity has an internal audit function which, amongst others, supports the committee during its work to supervise the internal control system, including the SCIIF. Furthermore, the scope of the SCIIF evaluation carried out during the financial year will be indicated, as well as the procedure through which the person responsible for evaluation provides their results, if the entity has an action plan which details potential corrective measures, and if their impact on the financial information has been considered.

The SCIIF Process was defined and implemented during fiscal year 2015, which means that performance of a first self-assessment of the SCIIF (Internal Financial Information Control System) took place during fiscal year 2016, which was submitted, and with a first internal audit carried out during fiscal year 2017.

In order to correctly supervise the SCIIF and ensure correct and efficient operation of the same, the responsibilities and duties of the different areas involved was defined, as well as the procedures to be carried out by these areas, and it is indicated in section F.1.1. of these document.

The SCIIF Policy defines Internal Audit as a unit to support the Audit Committee in the supervision of the SCIIF.

In order to ensure that Internal Audit remains independent; it will be directly situated under the CEO in the organisational structure.

The main activities which it carries out are:

- Planning the supervision and evaluation of the SCIIF with appropriate scope and frequency in accordance with annual Audit Plan work
- Determining the type and scope of tests to carry out to determine the degree of fulfilment and efficiency of the control systems.
- Providing the results obtained in the following manner:
  1. Communication of results relating to control faults to the process manager and the manager at least one level above the process manager.
  2. Communication of significant faults, with a significant impact on financial information, to the Saeta Financial Department and the companies' Administration departments (if they exist) and other affected departments, as well as the Audit Committee.
  3. Resolution of faults in accordance with priority and carrying out appropriate actions to correct them.

- F5.2** If it has a discussion procedure through which the accounts auditor (in accordance with the NTA), the internal audit function and other experts can communicate with executive management and the audit committee or entity administrators regarding any significant internal control faults identified during annual account review processes or those which have been entrusted to them. Furthermore, it will indicate if it has an action plan which attempts to correct or mitigate the observed weaknesses.

The following procedures were realized, referred in turn to the Regulations of the Board of Directors:

- Establishing appropriate relations with the External Auditor in order to receive information on any issues that may hinder their independence, for examination by the committee, and any others related to the progress of the accounts audit, as well as any other communications that may be foreseen in accounts auditing laws and technical auditing rules. In all instances, they must receive an annual statement of independence from the external auditors in relation to the entity or entities directly or indirectly linked to them, as well as information on additional services of any other type which are provided, and the corresponding fees arising for these entities by the external auditor or the related people or entities in accordance with accounts auditing laws.
- Ensuring that the external auditor holds an annual meeting with the Board of Directors to provide information on the work completed and an assessment of changes to the accounting situation and company risks.
- Discuss with the auditor any significant weaknesses in the internal control system detected during the audit.

In addition, the Regulations of the Board of Directors establishes the responsibility of the Audit Committee the following procedures,

- Monitor the effectiveness of internal control of the company, internal audit and risk management systems.

#### F6 Other relevant information.

There is no other relevant information relating to the Company's SCIIF beyond the information provided in the previous points.
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#### F7 External auditor review State whether:

- F.7.1 If the SCIIF information issued on the markets has been submitted for review by the external auditor, in which case the entity must include the corresponding report as an appendix. If not, they must explain their reasoning.

The SCIIF information has not been submitted to an external audit report. However, the external auditor has access to the Risks and Control System of the Group, and therefore, to all the SCIF mechanisms, and can evaluate their performance in as a far as is necessary in his role as auditor and to reach his conclusions.

## **G** DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of the company's compliance with Corporate Governance recommendations.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behavior. General explanations are not acceptable.

- 1. The Bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.**

Compliant  Explain

See sections: A.10, B.1, B.2, C.1.23. and C.1.24

- 2. When a dominant and subsidiary company are both listed, they should provide detailed disclosure on:**

**a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies;**

**b) The mechanisms in place to resolve possible conflicts of interest.**

Compliant  Partially complain  Explain  Not applicable

See sections: D.4 and D.7

- 3. During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:**

**a) Changes taking place since the previous annual general meeting;**

**b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.**

Complain  Partially complain  Explain

- 4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.**

**This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.**

Complain  Partially complain  Explain

By means of its website, the company makes public its policy on communications and contacts with shareholders, institutional investors, and proxy advisors, with this policy found under the tab for Corporate Governance - Corporate Standards - Company Policies. Those responsible for this policy, and for acting as its spokespersons, are the Finance Director and Director of the Investor Relations Department.

- 5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.**

**When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.**

Complain  Partially complain  Explain

- 6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:**

**a) Report on auditor independence.**

**b) Reviews of the operation of the audit committee and the nomination and remuneration committee.**

**c) Audit committee report on third-party transactions.**

**d) Report on corporate social responsibility policy.**

Complain  Partially complain  Explain

Although the report for section a) is made public, the reports for b) and c) are not, based on the belief that they do not provide any relevant information in addition to that being published in other documents. In relation to transactions between associated companies, these are published in great detail in the notes from the financial statements, as well as in section A.5 of the annual report on corporate governance.

The reports on the functioning of the Audit Committee and Appointments and Remuneration Committee have not been published, since they would not provide any information beyond what is established in the Comprehensive Report and in the Annual Report on Remuneration for the Directors.

Finally, with respect to the report on the policy for Corporate Social Responsibility, no specific report has been produced because that information is found within our comprehensive report published on our website (in the section on Shareholders and Investors - Annual and Semi-Annual Reports - 2016 Comprehensive Report), and during the upcoming months the 2017 Comprehensive Report will be published.

- 7. The company should broadcast its general meetings live on the corporate website.**

Compliant  Explain

- 8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.**

Complain  Partially complain  Explain

See sections: C.1.32, C.1.35 y C.1.38.

- 9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting**

rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complain  Partially complain  Explain

See section: B.7

**10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:**

- a) Immediately circulate the supplementary items and new proposals.
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complain  Partially complain  Explain  Not applicable

During fiscal year 2017 none of the shareholders exercised their right to add items to the agenda or submit new proposals.

**11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.**

Complain  Partially complain  Explain  Not applicable

**12. The Board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.**

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Complain  Partially complain  Explain

**13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.**

Compliant  Explain

See sections: C.1.1. and C.1.2.

**14. The board of directors should approve a director selection policy that:**

**a) Is concrete and verifiable;**

**b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs; and**

**c) Favours a diversity of knowledge, experience and gender.**

**The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.**

**The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.**

**The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.**

Complain  Partially complain  Explain

Saeta Yield, S.A. promotes all policies necessary to ensure equality of opportunity and prevent implicit bias and any discrimination during the selection processes, not only in the case of Board Members but also for any employment position, while ensuring that the candidates meet the requirements for the post in terms of skills, knowledge, and experience.

The Appointments and Remuneration Committee promotes the inclusion of women among the potential candidates, ensuring that they have the appropriate professional profile and meet the objective criteria on merit and abilities.

**15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.**

Complain  Partially complain  Explain

See sections: A.3 and C.1.3

**16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.**

**This criterion can be relaxed:**

**a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.**

**b) In companies with a plurality of shareholders represented on the board but not otherwise related.**

Complain  Explain

During fiscal year 2017 a vacancy opened up on the Board of Directors for an independent director, and there are currently three non-executive directors and four proprietary directors. The company is searching for a potential candidate to fill this vacancy, encouraging the inclusion of women, ensuring that they have the appropriate professional profile and meet the objective criteria on merit and abilities.

**17. Independent directors should be at least half of all board members.**

**However, when the company does not have a large market capitalization, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.**

Complain  Explain

See section: C.1.3.

**18. Companies should disclose the following director particulars on their websites and keep them regularly updated:**

**a) Background and professional experience.**

**b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.**

**c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.**

**d) Dates of their first appointment as a board member and subsequent re-elections.**

**e) Shares held in the company, and any options on the same.**

Complain  Partially complain  Explain

**19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.**

Complain  Partially complain  Explain  Not applicable

**20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.**

Complain  Partially complain  Explain  Not applicable

During fiscal year 2017 the circumstance mentioned did not occur.

**21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause,**

based on a proposal from the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Complain  Explain

See sections: C.1.2, C.1.9, C.1.19 y C.1.27.

- 22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.**

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Complain  Partially complain  Explain

See sections: C.1.42 y C.1.43.

- 23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.**

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Complain  Partially complain  Explain  Not applicable

- 24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.**



Complain  Partially complain  Explain  Not applicable

See section: C.1.9. Before submitting his resignation, Mr. Honorato López Isla explained the reasons behind his decision during the board meeting.

- 25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.**

**The board of directors regulations should lay down the maximum number of company boards on which directors can serve.**

Complain  Partially complain  Explain

- 26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.**

Complain  Partially complain  Explain

- 27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.**

Complain  Partially complain  Explain

- 28. When 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 at the meeting, they should be recorded in the minute book if the person expressing them so requests.**

Complain  Partially complain  Explain  Not applicable

- 29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.**

Complain  Partially complain  Explain

See section: C.1.40.

- 30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.**

Complain  Partially complain  Explain

- 31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need. For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly**

minuted, of the majority of directors present.

Complain  Partially complain  Explain

- 32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.**

Complain  Partially complain  Explain

- 33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.**

Complain  Partially complain  Explain

- 34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.**

Complain  Partially complain  Explain  Not applicable

- 35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.**

Complain  Explain

- 36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:**

a) The quality and efficiency of the board's operation.

b) The performance and membership of its committees.

c) The diversity of board membership and competences.

d) The performance of the chairman of the board of directors and the company's chief executive.

e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

**The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.**

**Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.**

**Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.**

**The process followed and areas evaluated should be detailed in the annual corporate governance report.**

Complain  Partially complain  Explain

The Board of Directors evaluated once a year, the quality and efficiency of the Board of Directors, the operation and the composition and performance of the Chairman of the Board of Directors is governed by Article 29 of the Regulations of the Board of Directors.

The Board of Directors may be assisted in the performance of their duties when requested as provided for in Article 17.3 of the Regulations of the Board of Directors.

In the financial year 2017 was completed the evaluation of the Board, its Committees and the performance of the Chairman. The evaluations were generally positive with some aspects for improvement during the following financial year.

- 37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.**

Complain  Partially complain  Explain  Not applicable

- 38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.**

Complain  Partially complain  Explain  Not applicable

- 39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.**

Complain  Partially complain  Explain

- 40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.**

Complain  Partially complain  Explain

- 41. The head of the unit handling the internal audit function should present an annual work**

programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Complain  Partially complain  Explain  Not applicable

**42. The audit committee should have the following functions over and above those legally assigned:**

**1. With respect to internal control and reporting systems:**

a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

**2. With regard to the external auditor:**

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Complain  Partially complain  Explain

See section: C.2.1.

**43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.**

Complain  Partially complain  Explain

**44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.**

Complain  Partially complain  Explain  Not applicable

- 45. Risk control and management policy should identify at least:**
- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other offbalance-sheet risks.
  - b) The determination of the risk level the company sees as acceptable.
  - c) The measures in place to mitigate the impact of identified risk events should they occur.
  - d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balancesheet risks.

Complain  Partially complain  Explain

- 46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:**

a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Complain  Partially complain  Explain

- 47. Appointees to the nomination and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.**

Complain  Partially complain  Explain

- 48. Large cap companies should operate separately constituted nomination and remuneration committees.**

Complain  Partially complain  Explain

Saeta Yield, S.A. is not a large-capitalisation company.

- 49. The nomination committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.**

When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.

Complain  Partially complain  Explain

**50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:**

**a) Propose to the board the standard conditions for senior officer contracts.**

**b) Monitor compliance with the remuneration policy set by the company.**

**c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.**

**d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.**

**e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.**

Complain  Partially complain  Explain

**51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.**

Complain  Partially complain  Explain

**52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:**

**a) Committees should be formed exclusively by non-executive directors, with a majority of independents.**

**b) They should be chaired by independent directors.**

**c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.**

**d) They may engage external advice, when they feel it necessary for the discharge of their functions.**

**e) Meeting proceedings should be minuted and a copy made available to all board members.**

Complain  Partially complain  Explain  Not applicable

**53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at**

the least the following functions:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
- b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
- c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
- d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
- e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
- f) Monitor and evaluate the company's interaction with its stakeholder groups.
- g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Complain  Partially complain  Explain

**54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:**

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
- d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complain  Partially complain  Explain

**55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.**

Complain  Partially complain  Explain

During the year 2015 it has not been informed about the year 2014 but in 2016 an integrated report containing these matters referntes 2015 will be published.

**56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.**

Complain  Explain

**57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.**

**The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.**

Complain  Partially complain  Explain

**58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.**

**In particular, variable remuneration items should meet the following conditions:**

**a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.**

**b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.**

**c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.**

Complain  Partially complain  Explain  Not applicable

In the modification of the policy of remunerations approved by the General Shareholders' Meeting on 22 June 2016, it was established that the Managing Director would have a variable remuneration whose final amount would be determined by the Board of Directors according to the quantitative criteria (determined by the development of the principal financial and accounting elements) and qualitative criteria.



**59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.**

Complain  Partially complain  Explain  Not applicable

**60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.**

Complain  Partially complain  Explain  Not applicable

**61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.**

Complain  Partially complain  Explain  Not applicable

**62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.**

Complain  Partially complain  Explain  Not applicable

The Stock Option Plan extends to the Chief Executive Officer and to three directors of the company. The term for the exercise is of two years and does not contain any restriction to the alienation once acquired.

The options may be "exercised" in two equal parts, cumulative if the beneficiary so wishes, during the third and fourth years after 1 May 2016, inclusive.

**63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.**

Complain  Partially complain  Explain  Not applicable

The current contract does not include clauses of this type.

**64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.**

Complain  Partially complain  Explain  Not applicable

**H****OTHER INFORMATION OF INTEREST**

1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.
2. You may include in this section any other information, clarification or observation related to the above sections of this report.
3. Also state whether the company voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable identify the Code and date of adoption.

The company has subscribed the following agreements, which are already communicated to the market by the corresponding relevant fact, in the mentioned agreements there is a clause by which the counterparties can resolve the contracts if a change of control occurs in the shareholders structure of the Company:

-Financing contracts for the subsidiary Manchacol-2, Central Termosolar Dos, S.L.U. signed on May 24th, 2017.

-Financing contract with the subsidiary Parque Eólico Valcaire, S.L.U. signed on November 17th, 2017.

This Annual Corporate Governance Report was approved by the company's Board of Directors at its meeting held on 27 February 2018.

List whether any directors voted against or abstained from voting on the approval of this Report.

Yes

No