

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

## ANNEX 1

<b>ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED COMPANIES</b>
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### ISSUER IDENTIFICATION DATA

<b>DATE OF END OF REFERENCE YEAR</b>	31/12/2015
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<b>TAX ID NUMBER</b>	A85699221
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<b>COMPANY NAME</b>
SAETA YIELD, S.A.
<b>BUSINESS ADDRESS</b>
AVENIDA DE BURGOS 16 D MADRID

## ANNUAL REPORT ON REMUNERATION FOR DIRECTORS OF LISTED COMPANIES

### A. COMPANY REMUNERATION POLICY FOR THE CURRENT YEAR

A.1. Describe the Company's remuneration policy. Include the following information in this section:

- General principles and fundamentals of the remuneration policy.
- Most significant changes in the remuneration policy with respect to the previous year and changes made during the year to the conditions for the exercise of previously awarded options.
- Criteria used and composition of groups of comparable companies whose policies have been considered in establishing the company's remuneration policy.
- Relative importance of variable remuneration items in comparison with fixed items and the criteria used to determine the components of the directors' remuneration package (remuneration mix).

#### Describe the remuneration policy

Article of Association 11 of the Company, and the Remunerations Policy of the Board of Directors itself, approved on 27 January 2015, establish the general principles and foundations of the remuneration system for the Board of Directors of Saeta Yield, S.A. (hereinafter, Saeta Yield).

Said remuneration system is based on the following principles:

- The remuneration should be reasonably proportional to the scale of the company, its economic situation and the market standards of comparable companies.
- Promote the long-term sustainability and profitability of Saeta Yield.
- Incorporate the necessary safeguards to avoid the excessive assumption of risks and rewards for unfavourable results.

The remuneration system for the Directors in their capacity as such comprises a fixed annual allocation payable quarterly, and allowances for attending each meeting of the Board of Directors or the Committees thereof.

The determination of the remuneration of each Director is the responsibility of the Board Directors, which will take into account for this purpose their functions and responsibilities, membership of Committees of the Board of Directors and all other objective circumstances deemed relevant. The remuneration policy for the Directors establishes that the additional amount to be received by the Directors belonging to Committees will be the same, whether they are members of one Committee or both.

The maximum amount of annual remuneration of the Directors as a group in their capacity as such must be approved by the General Shareholders' Meeting in the remuneration policy, and will remain in force until any modification thereto is approved.

The fixed annual allocation will be greater in the case of the Chairman of the Board Directors and those Directors belonging to the Committees of the Board, in accordance with the greater dedication that the performance of their functions will entail for them.

The remunerations policy likewise establishes that the Directors will receive an amount, by way of expenses, for each plenary session of the Board or the Committees thereof that they attend. The amount of these expenses will be moderate, and the monies received by the Directors in this regard may not for each financial year represent more than 15% of the fixed allocation.

The remuneration of those Directors attributed executive functions, for the performance of such functions, including compensation for premature dismissal and any other amounts to be paid by the Company by way of insurance premiums or contributions to savings schemes, must comply with the remunerations policy approved by the General Shareholders' Meeting, and will be set out, detailing all items, in the contract to be signed by each of the Executive Directors with the Company. This contract must be approved in advance by the Board

of Directors, with a vote in favour by two thirds of the members thereof.

The corporate Articles of Association likewise grant express authorisation for the remuneration of the Executive Directors, and that of executive personnel both of the Company and the companies of its group, to comprise the handover of shares in the Company or option rights over these, or benchmarking to the value of said shares, if so decided by the General Shareholders' Meeting, determining the maximum number of shares that may be allocated in each financial year, the price or the system for calculation of the strike price of the options or the value of the shares that would, where applicable, be taken as the benchmark, and the duration period of the plan. The General Shareholder's Meeting may delegate to the Board of Directors the determination of any other aspects of this type of remuneration. The current Remunerations Policy does not include any specification of this provision in the articles.

- A.2 Information on the preparatory work and decision-making process followed to determine the remuneration policy and role, if any, performed by the remuneration committee and other supervisory bodies in shaping the remuneration policy. This information should include any mandate given to the remuneration committee, its composition and the identity of the external consultants whose services have been used to define the remuneration policy. Also describe the category of any directors who participated in the definition of the remuneration policy.

**Describe the process for determining the remuneration policy**

Pursuant to Article 32.6 of the Regulation of the Board of Directors, the functions of the Appointments and Remunerations Committee include proposal to the Board of Directors of the remunerations policy for the Directors and CEOs or those performing senior management functions under the direct authority of the Board, the Executive Committees or Managing Directors, and also the individual remuneration and other contractual terms of the Executive Directors, ensuring compliance therewith. The functions of the Appointments and Remunerations Committee likewise include confirmation of compliance with the compensation policy established by Saeta Yield, and periodic reviews of the remunerations policy applied to Directors and senior managers, including share-based remuneration systems and the application thereof, while also guaranteeing that individual remuneration is proportional to that paid to the other Directors and senior managers of the Company.

Said Committee currently comprises five members: three independent directors and two corporate directors representing each of the majority shareholders.

In the preparatory studies and the decision-making process adopted in order to determine the remunerations policy, the Appointments and Remunerations Committee and the Board took into account the principle that the remuneration should be reasonably proportional to the scale of the Company, its economic situation and the market standards of comparable companies.

External advisors were not involved in determining the remuneration policy.

- A.3 Indicate the amount and nature of the fixed components, with a breakdown, where necessary, of the remuneration for the performance of senior management functions by the executive directors, the additional remuneration for acting as chairman or member of any board committee, per diem payments for participation in meetings of the Board and its committees and other fixed payments for directorship, and an estimate of the fixed annual remuneration to which they give rise. Identify other benefits not paid in cash and the parameters on which they are based.

**Describe the fixed components of remuneration**

The General Shareholders' Meeting, at its session held on 27 January 2015, established the maximum total amount for the fixed allocation and attendance allowances as 450,000 euros. The attendance allowances

may not each financial year represent more than 15% of the fixed allocation.

The fixed remuneration for the members of the Board of Directors, except for the Chairman, is €30,000 per year per Director. This amount is increased by €10,000 per year in the case of members of at least one Committee of the Board. The Chairman of the Board of Directors receives an annual fixed remuneration of €60,000 year for performing the functions inherent in his position.

Allowances for attending each of the meetings of the Board of Directors are established as €300, and €200 for attending meetings of the Audit Committee and the Remunerations and Appointments Committee.

The remuneration of the Secretary of the Board is identical to that established for the Directors.

Meanwhile, the only Executive Director is the Chairman of the Board of Directors, who likewise holds the position of Managing Director. Initial remuneration for the performance of the executive functions inherent in his position as Managing Director includes a fixed remuneration of 185,000 euros per year.

#### A.4 Describe the amount, nature and main characteristics of the variable components of the remuneration systems.

Specifically,

- Detail the amount, date of approval, date of implementation, effective period and the main characteristics of the remuneration plans of which the directors are beneficiaries. For plans involving stock options and other financial instruments, the general features of the plan must include information on the conditions for exercising such options or financial instruments for each plan.
- Indicate any payments made under profit-sharing or bonus schemes, and the reason why they were granted.
- Detail the basic parameters and grounds for any annual bonus scheme.
- The types of directors (executive directors, proprietary external directors, independent directors or other external directors) that are beneficiaries of remuneration systems or plans that incorporate variable remuneration.
- The foundations of such variable remuneration systems or plans, the criteria chosen to assess performance as well as the components and methods for determining whether or the criteria have been met, and an estimate of the total amount of variable remuneration that would result from the current compensation plan, as a function of the degree to which targets or benchmarks have been met.
- Where appropriate, give information on any deferral periods or deferral of payment established and/or retention periods for shares or other financial instruments.

<b>Describe the variable components of the remuneration systems</b>
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Only the Executive Director, in connection with the executive functions inherent in his position as Managing Director, receives variable remuneration. Said variable remuneration may not each year surpass 35% of the fixed annual gross remuneration received for the performance of his executive functions, and will be established in accordance with the degree of fulfilment of the objectives, of which the Managing Director is informed at the start of each financial year.

The Board of Directors is responsible, at the proposal of the Appointments and Remunerations Committee, for determining the objectives, the degree of fulfilment and, as a consequence, the final amount corresponding to the variable remuneration under the remuneration system for the Managing Director.

#### A.5 Describe the main features of the long-term savings systems, including retirement and any other survivorship benefit, partly or wholly funded by the company, whether endowed internally or externally, with an estimate of their amount or annual equivalent cost, indicating the type of plan, whether defined contribution

or defined benefit, the conditions for the vesting of the directors' economic rights and their compatibility with any type of severance payment for early cancellation or termination of the contractual relationship between the company and the director.

Also indicate payments made to any director's defined-benefit pension scheme; or any increase in the director's vested rights with regard to contributions to defined-benefit schemes.

**Describe the long-term savings systems**

The remuneration system for the Board at 31 December 2015 did not include any element of such a nature.

A.6 Indicate any indemnity payments agreed or paid in the event of termination as a director.

**Describe the indemnity payments**

Only the Managing Director, as a consequence of the performance of his executive functions, enjoys compensation in the event of termination, under certain circumstances. The amount of the compensation will be established in accordance with the criteria of labour legislation, his years of service being calculated for this purpose from 1 December 2008.

A.7 Describe the conditions with which contracts with executive directors for performing senior functions must comply. Among other aspects, give information on the term, limits to the amounts of indemnity, permanence clauses, notice periods and payments in lieu of notice, and any other clauses regarding hiring bonuses, as well as severance payments or golden handshakes for early cancellation or termination of the contractual relationship between the company and the executive director. Include, inter alia, non-compete, exclusivity, permanence or loyalty covenants or agreements and any governing non-competition after termination.

**Describe the conditions of executive directors' contracts**

At 31 December 2015 there was no agreement in place with the Executive Director beyond the terms indicated in subsection A.6 regarding share-related remuneration, permanence or post-contractual non-competition.

A.8 Describe any additional remuneration paid to directors for services rendered other than those inherent to their directorship.

**Describe supplementary remuneration items**

The remuneration system for the Board at 31 December 2015 did not include any element of such a nature.

- A.9 Indicate any remuneration granted in the form of advances, loans or guarantees, stating the interest rate, key features and any amounts repaid, as well as guarantee obligations assumed on their behalf.

**Describe the advances, loans and guarantees granted**

No advances, credits or guarantees were granted to any Director during 2015.

- A.10 Describe the main features of remuneration in kind.

**Describe any remuneration in kind**

With regard to remuneration in kind, the remuneration scheme for the Managing Director is incorporated within the policy for remuneration in kind, social benefits and civil liability insurance applicable to the executives of the Company, including civil liability insurance, medical insurance assistance, life and accident and vehicle insurance.

- A.11 Indicate the remuneration accruing to the director by virtue of payments made by the listed company to a third party in which the director provides services, where such payments are intended to remunerate the director's work in the company.

**Describe the remuneration accruing to the director by virtue of payments made by the listed company to a third party in which the director works.**

No remunerations of this kind accrue.

- A.12 Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be accounted a related-party transaction or where its omission would detract from a true and fair view of the total remuneration accrued by the director.

**Describe other remuneration items**

There are no remuneration items in addition to those indicated in the above subsections.

- A.13 Describe the actions taken by the company in connection with the remuneration system to reduce excessive risk exposure and match it to the company's long-term goals, values and interests. Include references to any: measures designed to ensure that the remuneration policy is aligned with the company's long-term performance; measures to provide an appropriate balance between fixed and variable compensation; measures taken in relation to those categories of staff whose work has a material impact on the undertaking's risk profile; claw back formulae or clauses to claim back performance-based variable remuneration when it was paid out on the basis of data that is subsequently proven to be manifestly inaccurate; and measures designed to prevent conflicts of interest, where applicable.

**Describe actions taken to reduce the risks**

At the time of authoring of this report, the Appointments and Remunerations Committee was working of the definition of a long-term incentives system, which is to form a part of the remuneration of the Executive Director and of those executives who are to be linked to the long-term strategic objectives of the Company, with the aim of reducing risk and aligning the objectives of the Company and its shareholders with the objectives of the executives.

**B REMUNERATION POLICY PROJECTED FOR FUTURE YEARS**

Repealed

**C OVERALL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED DURING THE CLOSED FINANCIAL YEAR**

- C.1. Give a brief description of the main features of the structure and remuneration items of the remuneration policy applied during the last financial year, with a breakdown of the individual remuneration accrued by each of the directors listed in Section D of this report, and a summary of the resolutions passed by the board to implement those items.

**Describe the structure and remuneration items of the remuneration policy applied during the year**

The remunerations policy for the Directors, both executive and non-executive, as applied during the 2015 financial year, complies strictly with the remunerations policy in force, as detailed in item A, the result thereof being detailed in item D.

**D BREAKDOWN OF INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR**

Name	Category	Vesting period 2015
Mr. JOSÉ LUIS MARTÍNEZ DALMAU	Executive	From 20/01/2015 to 31/12/2015.
Mr. HONORATO LÓPEZ ISLA	Independent	From 27/01/2015 to 31/12/2015.
Mr. JOSÉ BARREIRO HERNÁNDEZ	Independent	From 27/01/2015 to 31/12/2015.
Mr. DANIEL B.MORE	Independent	From 27/01/2015 to 31/12/2015.
Mr. PAUL JEFFERY	Independent	From 27/01/2015 to 31/12/2015.
Mr. CRISTÓBAL GONZÁLEZ WIEDMAIER	Proprietary	From 20/01/2015 to 31/12/2015.
Ms. CRISTINA ALDÁMIZ-ECHEVARRÍA GONZÁLEZ DE DURANA	Proprietary	From 20/01/2015 to 31/12/2015.
Mr. ALFONSO AGUIRRE DIAZ-GUARDAMINO	Proprietary	From 20/01/2015 to 8/05/2015.
Mr. EPIFANIO LOZANO PUEYO	Proprietary	From 20/01/2015 to 8/05/2015.
Mr. RAJARAM RAO	Proprietary	From 8/05/2015 to 31/12/2015.
Mr. DEEPAK AGRAWAL	Proprietary	From 8/05/2015 to 31/12/2015.

D.1 Complete the following tables on the individual remuneration accrued during the year by each of the directors (including remuneration for carrying out executive functions).

a) Remuneration accrued in the reporting company:

i) Remuneration in cash (thousand euro)

Name	Wages	Fixed remuneration	Per diems	Short-term variable remuneration	Long-term variable remuneration	Remuneration for belonging to Board committees	Indemnities	Other items	2015 total	2014 total
Mr. JOSÉ LUIS MARTÍNEZ DALMAU	179.17	56.83	3.30						239.30	-
D. HONORATO LÓPEZ ISLA		37.11	2.70			2.00			41.81	-
D. JOSÉ BARREIRO HERNÁNDEZ		37.11	2.70			2.60			42.41	-
D. DANIEL B.MORE		37.11	2.70			1.20			41.01	-
D. PAUL JEFFERY		37.11	2.70			1.40			41.21	-
D. CRISTÓBAL GONZÁLEZ WIEDMAIER		37.89	3.00			2.00			42.89	-
DÑA. CRISTINA ALDÁMIZ-ECHEVARRÍA GONZÁLEZ DE DURANA		37.89	3.30			1.40			42.59	-
D. ALFONSO AGUIRRE DIAZ-GUARDAMINO		9.05	1.50						10.55	-
D.EPIFANIO LOZANO PUEYO		9.05	1.50						10.55	-
D. RAJARAM RAO		24.61	1.80			0.6			27.01	

D. DEEPAK AGRAWAL		24.61	1.80			0.6			27.01	-
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**ii) Share-based remuneration systems**

No remuneration in this regard was paid to any Director in the 2015 financial year.

**iii) Long-term saving systems**

No remuneration in this regard was paid to any Director in the 2015 financial year.

**iv) Other benefits (thousand euro)**

No remuneration in this regard was paid to any Director in the 2015 financial year.

**b) Remuneration accrued by company directors for belonging to boards of other group companies:**

No director remuneration accrued for this item.

**c) Summary of remuneration (thousand euro):**

This should include a summary of the amounts corresponding to all the remuneration items included in this report that have accrued to the director, in thousand euros.

Where there are long-term saving systems, include contributions or endowments made to such systems:

Name	Remuneration accrued in the Company				Remuneration accruing to group companies				Total		
	Total cash remuneration	Value of share granted	Gross gain on options exercised	2015 total Company	Total cash remuneration	Value of share delivered	Gross gain on options exercised	2015 total Company	2015 total	2014 total	Contributions to savings systems during the year
Mr. José Luis Martínez Dalmau	239.30			239.30					239.30	0	
Mr. Honorato López Isla	41.81			41.81					41.81	0	
Mr. José Barreiro Hernández	42.41			42.41					42.41	0	
Mr. Daniel B. More	41.01			41.01					41.01	0	
Mr. Paul Jeffery	41.21			41.21					41.21	0	
Mr. Cristóbal González Wiedmaier	42.89			42.89					42.89	0	
Ms. Cristina Aldámiz-Echevarría González de Durana	42.59			42.59					42.59	0	
Mr. Alfonso Aguirre Díaz-Guadamino	10.55			10.55					10.55	0	
Mr. Epifanio Lozano Pueyo	10.55			10.55					10.55	0	
Mr. Rajaram Rao	27.01			27.01					27.01	0	
Mr. Deepak Agrawal	27.01			27.01					27.01	0	
<b>Total</b>	<b>566.34</b>	<b>0</b>	<b>0</b>	<b>566.34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>566.34</b>	<b>0</b>	<b>0</b>

D.2 Describe the relationship between the remuneration received by the directors and the undertaking's earnings or other performance indicators, detailing how any variations in the company's performance influenced the variation in directors' remuneration.

Only CEO has elements of variable nature in its remuneration scheme. CEO appointment was during the year 2015, so at December 31, 2015 it had not produced the first determination by the Board of Directors corresponding to these elements of its remuneration scheme amount.

D.3 Describe the outcome of the consultative vote at the annual meeting on the annual remuneration report for the previous year, indicating the number of votes cast against, if any:

	Number	% of total
Votes cast	-	-

	Number	% of total
Votes against	-	-
Votes in favour	-	-
Abstentions (and blank votes)	-	-

## **E OTHER INFORMATION OF INTEREST**

If there are any material aspects relating to directors' remuneration that could not be disclosed in other sections of this report but that are necessary to provide a more comprehensive and fully reasoned picture of the remuneration structure and practices for the company's directors, describe them briefly.

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This annual report on the remuneration of directors was approved by the company's Board of Directors on [25<sup>th</sup> February 2016](#)

Indicate whether any board members voted against or abstained with respect to the approval of this report.

Yes

No

