REPORT OF THE COMMITTEE ON APPOINTMENTS AND REMUNERATION ON THE AMENDMENT OF THE REMUNERATION POLICY

Appointments and Remuneration Committee of Saeta Yield sign this report, which justifies the proposal to modify the remuneration policy of Directors, submitted to the Board of Directors of the Company, in order to comply with the provisions of article 529 novodecies 2 of the Corporate Enterprise Act.

Corporate Enterprise Act establishes the need for listed companies to have a remuneration policy for their Directors that must be approved by the general shareholder´s meeting at least every three years as a separate item on the agenda. In addition, any amendment or replacement thereof during its term shall be approved by the general shareholder´s meeting.

The remuneration policy of Saeta Yield was established at the beginning of 2015, on the occasion of its Public Offering for Sale and the commencement of its listing as a company. At that time, it was logically decided to apply criteria of extreme prudence for both the Board of Directors and Company Management, in order to wait and see how Saeta prospered and its business activities progressed.

At this point, almost two and a half years later, it has been confirmed that Saeta Yield is fulfilling its objectives and is fully undertaking the necessary acquisition processes as a company of its nature, so as to be able to fulfil its dividend commitments of adequate remuneration to its shareholders.

As part of this procedure it is essential to establish appropriate levels of remuneration, so that both the Board of Directors and the senior management of the company have the necessary incentives to carry out their activities with the required levels of motivation and dedication.

Reflecting their awareness of this situation, a few months ago the Board of Directors activated a procedure to assess Board and Senior Management remuneration. This procedure consists of two parts: an internal evaluation and an external evaluation.

The internal evaluation was undertaken by means of a questionnaire answered separately by each director. It indicated a clear consensus that the Directors' remuneration, related to performance of their business activities, was deemed to be below expected standards, given the level of personal involvement and responsibility assumed by them. To this effect it should be noted that Directors' remuneration is 30,000 €/year, to which an extra 10,000 euros for membership of the Commissions is added. Therefore, Directors receive a maximum of €40,000 per year, in addition to a limited allowance (€200 or €300 per session) for attending meetings. Finally, the currently approved remuneration policy includes an overall limit of €450,000 for the remuneration of the whole Board of Directors.

With regards to the company's executive management, the valuation resulting from the Board's assessment also puts forward the idea that the payment of the key executives could be lower than the market standards and that it should be reconsidered. Apart from this general idea, the Board highlighted a very clear criterion with regards to the need to increase the variable payment limits for the company's executive management, which are currently set at 35%, to a formula which, without including an increase in fixed costs for salaries and payment to the top executive levels, allows more effective alignment of daily activity with Saeta objectives.

Along with this work, the Board asked the Company to make use of an external consultant to check if the previous payments were adjusted or not.

To comply with this mandate, Saeta Yield took out the services of Garrigues Human Capital Services (Garrigues HCS), which has carried out a study with two objectives:

- To analyse market practices followed by companies similar to Saeta in terms of payment to directors and executives, and
- To inform the Company of its position regarding payment which these directors receive for providing their services.

After analysing the Spanish market and similar companies to Saeta Yield, Garrigues HCS issued a report with the following conclusions:

1.- In accordance with the analysis performed, the payment position, both for members of the Company's board of directors and the Chairman-Managing Director are generally significantly below the first quartile of the comparable payment band. The Financial Director and Operations Director did not inform us of their current payment but the study gathered market information for these positions from comparable companies.

2. Considering that the payment system for Saeta Yield non-executive directors is made up of a fixed payment, a payment through commission and allowances, we believe that the current payment system with regards to its components is reasonably aligned with practices followed by listed companies.

We can extract some highly relevant data from the analysis carried out by Garrigues HCS. For example, the overall payment of Saeta's Board of Directors is €900,000 lower than the median payment at comparable companies, and over €1,000,000 lower than the average. With regards to payment of non-executive Directors, the difference is nearly €200,000 with regards to the median.

Looking at individual data, the fixed payment for the Saeta Chief Executive/Director is €126,000 below the median, a figure which rises to over €670,000 if we consider the total payment (fixed and variable) of the top executive. Directors who do not carry out executive functions have a payment €42,500 below the median for the year.

The individual data for the company's executive management also demonstrate results below the average and the median for comparable companies, with a difference of over €66,000/year for overall payment.

The study also contains a comparison with international companies, which with some variations offers some very clear results which show that payments both to the Saeta Board and executive management are substantially lower than comparable companies.

With this evidence, the Board of Directors believes it is appropriate to submit a modification to the current payment policy during the Annual Meeting in order to align the payment which the company offers to directors and executives with market standards. The Board of Directors is aware that it is neither possible nor prudent to cover the difference straight away with a single modification to the current policy, given the major differences, but, at the same time, it believes that it is important to slowly align Saeta payment to the payment offered by comparable companies, in the belief that it will allow the company to attract and retain the best professional talent keeping reasonable balance with the size of the company and the objectives set out.

To do this, from now the 2017 financial year, the Board believes it appropriate to submit two one-off changes to the current policy during the Meeting, whilst continuing to analyse fixed payments to the company's executive management over the next few financial years.

The first modification refers to the overall payment limit to Board members for their administrative functions. As previously indicated, the current limit (€450,000 annually) is insufficient to adequately compensate directors' activity and the responsibility which they hold. Without wanting to match the average or median of comparable companies, and whilst maintaining a prudent payment policy below the average, we ask the Meeting to increase the overall maximum limit to €650,000. The result will be a payment which continues to be below the average for comparable companies but which is closer to market standards and our competitors.

The second modification affects the maximum annual variable payment percentage which currently corresponds to the top executive. This percentage is currently 35%. The Board of Directors believes that a payment which is truly variable must be subject to demanding criteria but must also be sufficiently motivating. A percentage which is limited to 35% can in practice lead to variable payment remaining (subject to demanding criteria) at reduced percentages which prevents aligning the interests of executive management with Saeta Yield.

This first step therefore involves increasing the maximum variable payment limit of the Managing Director, which in line with market conditions should be around or even over 50%. This increase will also help to subsequently increase the variable payment limits for other company executives, which are logically limited by the percentage given to the Managing Director.

The proposals of the Remuneration Policy of the Board modifications are presented with change control over the text of the current policy in force:

SAETA YIELD, S.A. PROPOSAL FOR REMUNERATION POLICY OF THE BOARD OF DIRECTORS

1. INTRODUCTION

This document is prepared in compliance with the provisions in Article 529 novodecies of the Companies Enterprise Act, consolidated text approved by Royal Legislative Decree 1/2010 of July 2 (the **"Companies Enterprise Act"**), and endorses the proposal of remuneration policy of the Board of Directors of Saeta Yield, SA (the **"Remuneration Policy"**) that approved by the Board of Directors, will be raised for approval to the General Shareholder´s Meeting of the Company.

The Remuneration Policy of directors, in their capacity as such as the performance of executive functions, will be oriented to compensation in reasonable proportion to the scale of the company, its economic situation and the market standards of comparable companies. Similarly, the system of remuneration of the Directors shall be aimed at promoting profitability and long- term sustainability of the Company and will incorporate the necessary precautions to avoid excessive risk taking and reward unfavorable results.

2. DIRECTORS ‘REMUNERATION

In accordance with the article 11 of the By-laws, 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 maximum amount of the annual remuneration that the Company may pay to the Directors for both concepts, fixed payment and attendance fees, may not exceed ~~450,000~~ **650,000** euros.

2.1 Fixed annual allocation

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 entail for them. 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 (Audit Committee or Appointments and Remuneration Committee).

2.2 Allowances for attending each meeting

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.

3. EXECUTIVE DIRECTORS ‘REMUNERATION

3.1 It is expected to the only Executive Director is the Chairman of the Board of Directors, who likewise holds the position of Managing Director.

The 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, which will be updated according to the CPI, plus a variable remuneration of up to ~~35~~ **50**%, which concrete amount is determinate by the Board of Directors according criteria quantitative (determined in accordance with the evolution of the main financial and accounting data) and qualitative. The CEO´s remuneration scheme it is integrated into the Remuneration policy of in kind, social benefits and liability insurance applicable to the managers of society including insurance civil responsibility, assistance in health insurance, life insurance and accident and vehicle. Similarly, the Chief Executive Officer may be beneficiary of other compensation plans in the medium and long term, consisting of multi-year bonds approved by the General Meeting or plans Options on shares, which will be duly approved by the General Shareholder´s Meeting as provided in the art. 219 Corporate Enterprise Act and bylaws.

3.2 The CEO´s contract shall remain in force while it should remain in office. The contract will not non-compete agreements be contemplated. The CEO shall, on termination of the relationship with the company as chief executive, to compensation equivalent to two annuity cessation. To this end, the annuity is calculated as half the sum of full compensation received in the two preceding that in which the termination (or last year doubled, if seniority is not reached two years). Should the date of termination of the relationship there is an outstanding option plan exercise, the rights arising from this plan may be exercised after its termination cases the terms and agreed the plan itself.