

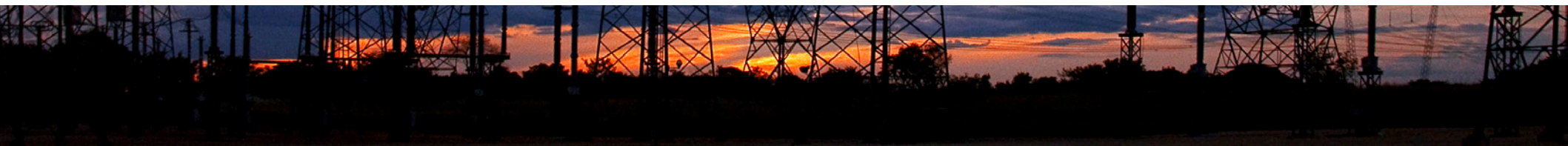


**ABENGOA**

Innovative technology solutions for sustainability

Annual Report 2014

**04** Corporate Governance



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01  
Independent  
verification  
report on the  
corporate  
governance  
annual report

*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

## INDEPENDENT ASSURANCE REPORT ON THE ANNUAL CORPORATE GOVERNANCE REPORT FOR 2014

To the Directors of  
Abengoa, S.A.:

1. We have performed an assurance engagement regarding the compliance of the content of the Annual Corporate Governance Report for 2014 of Abengoa S.A. with the minimum content of the Annual Corporate Governance Report provided for by Circular 5/2013, of 12 June, of the Spanish National Securities Market Commission (CNMV) and with the provisions of Ministry of Economy and Competitiveness Order ECC/461/2013, of 20 March.
2. The preparation of the Annual Corporate Governance Report and its content are the responsibility of the Board of Directors of Abengoa S.A., which is also responsible for the design, implementation and maintenance of the procedures through which the information is obtained. Our responsibility is to issue an independent report based on the procedures applied in our assurance engagement. We carried out our engagement in accordance with the applicable requirements of the Code of Ethics of the International Federation of Accountants (IFAC).
3. We carried out our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) on reasonable assurance engagements. That standard requires the performance of procedures and the obtainment of sufficient appropriate evidence to make it possible to reduce the engagement risk to an acceptably low level in the circumstances of the engagement and to express a conclusion in a positive form. In this regard, our engagement included, inter alia, the following:
  - Reading and understanding the information prepared by the Company contained in the Annual Corporate Governance Report and assessing whether said information encompasses all the information required by Circular 5/2013, of 12 June, of the Spanish National Securities Market Commission and by Ministry of Economy and Competitiveness Order ECC/461/2013, of 20 March.
  - Holding meetings with and submitting queries to the Company's personnel, the members of the Board of Directors and other bodies responsible for the various areas of governance of the Company on which the report is issued for the purpose of analysing the information included in the Annual Corporate Governance Report.
  - Evaluating significant internal control to internally gather and validate the data and information set out in the Annual Corporate Governance Report. This evaluation is part of our assessment of the engagement risk and is performed for the sole purpose of being able to design assurance procedures that are appropriate in the circumstances.
  - Verifying, by means of selective tests, the criteria used in preparing the information included in the Annual Corporate Governance Report and its adequate compilation and consistency with the data furnished by management of Abengoa, S.A.

- Analysing the minutes of the Annual General Meeting, of the Board of Directors meetings, of the Audit Committee meetings and of meetings of other committees of Abengoa, S.A. for the purpose of assessing the compliance of the information included in the Annual Corporate Governance Report.
  - Obtaining a representation letter on the work performed signed by the persons responsible for preparing the Annual Corporate Governance Report.
4. For the recommendations of the Unified Good Corporate Governance Code that have not been implemented by the Company, the directors of Abengoa S.A. offer the explanations that they consider appropriate. In relation to said explanations, we checked that the assertions contained in the Annual Corporate Governance Report to do not contradict the evidence obtained from the application of the procedures described in paragraph 3 above.
  5. Also, as regards the system of Internal Control over Financial Reporting (ICFR) (see section F of the Annual Corporate Governance Report), we verified the existence of the corresponding report issued by the auditor of Abengoa, S.A. That report states that the work was performed in accordance with the rules of the Public Company Accounting Oversight Board.
  6. Based on the results of our work, in our opinion the accompanying Annual Corporate Governance Report for 2014 of Abengoa, S.A. has been prepared, in all material respects, in accordance with Circular 5/2013, of 12 June, of the Spanish National Securities Market Commission (CNMV) and with the Ministry of Economy and Competitiveness Order ECC/461/2013, of 20 March, and its content complies with the provisions of those regulations.

DELOITTE ADVISORY, S.L.



Helena Redondo  
February 23, 2015

02  
Independent  
review report  
on the design  
and effective  
application  
of the risk  
management  
system



*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

## INDEPENDENT REVIEW REPORT ON THE DESIGN AND EFFECTIVE APPLICATION OF THE RISK MANAGEMENT SYSTEM.

To the Board of Directors of Abengoa, S.A.:

### **Scope of the work**

We have verified, with a scope providing reasonable assurance, the design and effective application of the Risk Management System of Abengoa, S.A. and its corporate group ("Abengoa"), the basic parameters of which are described in Chapter E of the accompanying Corporate Governance Report, regarding the criteria established in ISO 31000 Standard, "Risk Management - Principles and Guidelines", in order to evaluate the alignment of the two in 2014.

The Common Management Systems ("Norms of Obligatory Compliance" or "NOCs") include the procedures and specifications for applying Abengoa's Risk Management System. The scope of the NOCs affects all the Group's business segments and all the companies that belong to Abengoa. The preparation, updating, implementation and maintenance of the NOCs, and the identification and assessment of the risks that affect Abengoa is the responsibility of Abengoa's management.

Our responsibility is to issue an independent report on the adequate design and effective application of Abengoa's Risk Management System, in accordance with the principles established in ISO 31000 Standard, "Risk Management - Principles and Guidelines", based on the procedures applied in our review of the design and application of the NOCs.

### **Criteria used to conduct the review**

We conducted our review work in accordance with the guidelines established in ISAE 3000 ("Assurance Engagements Other than Audits or Reviews of Historical Financial Information") issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), providing a level of reasonable assurance pursuant to that Standard, with the scope described above.

### **Procedures applied**

Our review work consisted of reviewing the NOCs themselves and applicable processes and procedures, and of making enquiries of management, both Corporate and of Abengoa's various Business Groups that are involved in the Group's Risk Management System, by applying the following procedures:

- Interviews with key personnel and persons responsible for the design and application of the NOCs in order to review and analyse the situation of the common management systems in 2014.
- Review of the information processes and systems through which Abengoa implements its Risk Management System, assessing the completeness of the information processed therein, and its overall security and access control.
- Verification -on a selective basis- of the existence of documentation supporting the effective application of the Risk Management System and its various procedures and specifications as contained in the NOCs.

### **Independence**

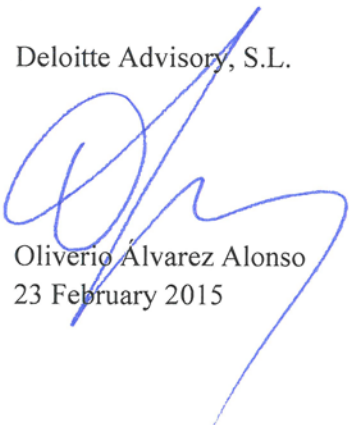
We carried out our engagement in accordance with the independence rules provided for in the Code of Ethics of the International Federation of Accountants (IFAC).

### **Conclusion**

As a result of our review of the design and effective application of the NOCs and of the processes and procedures contained therein in 2014 which comprise Abengoa's Risk Management System, the basic parameters of which are described in Chapter E of the accompanying Corporate Governance Report, we conclude that:

- In relation to the risks managed by Abengoa's Risk Management System approved by management and applicable to its various business activities and companies through the NOCs, the design and effective application of the aforementioned Management System comply with the principles established in ISO 31000 Standard, "Risk Management - Principles and Guidelines".
- The design and effective application thereof were, at 31 December 2014, sufficient to respond to the aforementioned business risks in conformity with ISO 31000 Standard, "Risk Management - Principles and Guidelines".

Deloitte Advisory, S.L.



Oliverio Álvarez Alonso  
23 February 2015



The background of the page is a photograph of a desk. On the left, there are several sheets of paper stacked. On the right, there is a pen and a notebook. The background is slightly blurred, focusing attention on the text in the foreground.

03  
Independent  
verification  
report on the  
compliance  
system for the  
prevention of  
corruption

*Translation of an independent review report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

## INDEPENDENT REVIEW REPORT ON THE DESIGN AND EFFECTIVE APPLICATION OF THE COMPLIANCE SYSTEM FOR THE PREVENTION OF CORRUPTION

To the Board of Directors of Abengoa, S.A.:

### **Scope of the work**

We conducted the review, with a scope providing reasonable assurance, of the Compliance System for the Prevention of Corruption of Abengoa, S.A. and its corporate Group (“Abengoa” or “the Group”), which is summarised in the processes and procedures included in Chapter 7 of the accompanying Corporate Governance Report, regarding the criteria established in BS 10500 “*Specification for an anti-bribery management system*”, with respect to the adequate design and effective application thereof in 2014.

Abengoa's Compliance System for the Prevention of Corruption includes the processes and procedures implemented by the Group for the application of Internal Control for the Prevention of Corruption, regarding the criteria established in BS 10500 “*Specification for an anti-bribery management system*”. Abengoa's Compliance System for the Prevention of Corruption is based on American regulation FCPA (“Foreign Corrupt Practices Act”) and British regulation “UK Bribery Act”. The scope of Abengoa's Compliance System for the Prevention of Corruption affects all the segments of the Group's business activity, as well as all the companies owned by Abengoa, except for those companies in which Abengoa does not hold a majority interest or over which it does not exercise effective control.

This report refers solely to Abengoa's Compliance System for the Prevention of Corruption and the related processes and procedures described in Chapter 7 of the accompanying Corporate Governance Report for 2014.

Our responsibility is to issue an independent report based on the work performed in relation to Abengoa's Compliance System for the Prevention of Corruption, described in Chapter 7 of the accompanying Corporate Governance Report, and the adequate design thereof, in accordance with the criteria indicated, and effective application.

The identification and assessment of the corruption risks that affect Abengoa -based on Abengoa's Compliance System for the Prevention of Corruption - including its documentation and content, in addition to the implementation, maintenance and effective application thereof, is the responsibility of management of Abengoa.

Any Compliance System for the Prevention of Corruption or System of Internal Control, even if apparently effective, is subject to certain limitations inherent thereto. Also, our review work is not intended to detect individual infringements, past or future, of current legal regulations concerning these matters and, as such, it is not designed to provide certainty on compliance with prevailing legal regulations on these matters.

### **Criteria used to conduct the review**

We conducted our engagement in a consistent manner with ISAE 3000 (Assurance Engagements Other than Audits or Reviews of Historical Financial Information) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), providing a level of reasonable assurance pursuant to that standard, with the scope described above. This standard requires the performance of procedures and the obtainment of sufficient evidence to enable the issuance of a conclusion in positive terms.

### **Procedures applied**

In this regard, our work consisted of reviewing the Compliance System for the Prevention of Corruption, and the related processes and procedures to be applied, as well as the controls associated therewith, by applying, inter alia, of the following procedures:

- Perusal and understanding of the processes and procedures implemented by Abengoa corresponding to its Compliance System for the Prevention of Corruption.
- Inquiries to management, both corporate and of Abengoa's various Business Groups, that are involved in the Group's Compliance System for the Prevention of Corruption.
- Interviews with key personnel and persons responsible in the design and application of Abengoa's Compliance System for the Prevention of Corruption.
- Evaluation of the significant processes and procedures through which Abengoa implements its Compliance System for the Prevention of Corruption. The aforementioned evaluation is part of our assessment of the engagement risk and is performed for the sole purpose of designing verification procedures suited to the circumstances.
- Verification, on a selective basis, of the existence of documentation supporting the effective application of the Compliance System for the Prevention of Corruption and its various processes, procedures and controls relating to the specifications included in Chapter 7 of the accompanying Corporate Governance Report.

Our review work does not include the Group companies in which Abengoa does not hold a majority interest or over which it does not exercise effective control.

### **Independence**

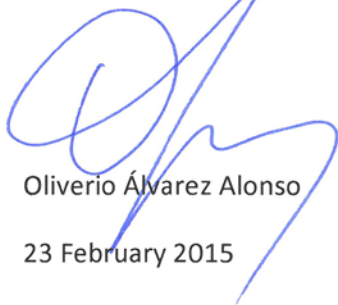
We carried out our engagement in accordance with the independence rules provided for in the Code of Ethics of the International Federation of Accountants (IFAC).

## Conclusion

Our review of the design and effective application of the Compliance System for the Prevention of Corruption summarised in the processes and procedures included in Chapter 7 of the accompanying Corporate Governance Report disclosed the following matters:

- The design of the processes and procedures described in Chapter 7 of the Corporate Governance Report is consistent with the criteria established in BS 10500 *"Specification for an anti-bribery management system"*.
- The processes and procedures described in Chapter 7 of the Corporate Governance Report have operated, in accordance with the criteria established in BS 10500 *"Specification for an anti-bribery management system"*, with sufficient effectiveness to obtain reasonable assurance of the compliance therewith in 2014.

Deloitte Advisory, S.L.



Oliverio Álvarez Alonso

23 February 2015



03  
Annual  
Corporate  
Governance  
Report



## 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 rights
4-11-2014	91,798,900,80	839,769,720	9,179,890,080

Indicate whether there are different types of shares with different associated rights:

Yes

Class	Number of shares	Nominal unit	Unit number of voting rights	Different rights
A	84,243,640	1	100	Without different rights
B	755,526,080	0.01	1	See the Other Information of Interest section at end of report

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

Personal or Corporate Name of the shareholder	Number of direct voting rights	Direct owner of shares	Number of voting rights	% of total voting rights
Inversión Corporativa, I.C, S.A	4,606,269,505	Finarpisa, S.A	568,379,032	50.178%
Finarpisa, S.A.	568,379,032			6.192%

Indicate the most significant movements in the shareholding structure of the company during the year:

Not applicable.

A.3 Complete the following tables on company board members with voting rights through company shares:

Personal or Corporate Name of Board member	Number of direct voting rights	Indirect voting rights		% of total voting rights
		Direct owner of shares	Number of voting rights	
Felipe Benjumea Llorente	414,170.00	Ardachon, S.L.	4,300,905.00	0.0513
Aplidig S.L.	4,737,756.00		-	0.0516
Manuel Sánchez Ortega	913,167.00		-	0.0099
Jose Joaquín Abaurre Llorente	9,870		-	0.0001
José Luis Aya Abaurre	465,301		-	0.005
Mª Teresa Benjumea Llorente	1,288,560.00		-	0.0140
Javier Benjumea Llorente	404,352.00		-	0.0044
José Borrell Fontelles	71,695.00		-	0.00078
Mercedes Gracia Díez	2,500.00		-	0.0000
Ricardo Hausmann	0		-	0.0000

Personal or Corporate Name of Board member	Number of direct voting rights	Indirect voting rights		% of total voting rights
		Direct owner of shares	Number of voting rights	
Ricardo Martínez Rico	2,565.00	-	-	0.0000
Claudi Santiago Ponsa	20,800.00	-	-	0.00022
Ignacio Solís Guardiola	1,768,000.00	-	-	0.0192
Fernando Solís Martínez-Campos	5,286,528.00	Dehesa del Mesto, S.A.	3,581,760.00	0.0966
Carlos Sundheim Losada	247,118.00	-	-	0.0026
Alicia Velarde Valiente	41,600.00	-	-	0.00045

**% total of voting rights held by board of directors** **0.2561**

Notwithstanding the above, following the close of the financial year, on January 19, 2015, Aplidig S.L. (Prof. Mr. José B. Terceiro) resigned from all posts it (he) held on the Company's Board of Directors and its Commissions.

Likewise, in that same meeting of the Board of Directors and to fill in the vacancy originated as consequence of the resignation of Aplidig S.L. (Prof. Mr. José B. Terceiro), following a proposal of the Appointments and Remunerations Commission, the Board unanimously agreed to appoint Mr. Antonio Fornieles Melero as Independent Director, as Second Vice-chairman, as member of the Audit Commission, as member of the Appointments and Remunerations Commission and as Lead Independent Director, for the statutory period of four years. The number of voting rights held by Mr. Antonio Fornieles Melero is 0.

Finally, in that same meeting of the Board of Directors and following a proposal of the Appointments and Remunerations Commission, the Board unanimously agreed to appoint Mr. Manuel Sánchez Ortega as first vice chairman of the Company. Such an appointment does not affect his delegated powers as CEO. Consequently, Mr. Manuel Sánchez Ortega now holds both the offices of First Vice-chairman and CEO.

**Complete the following tables on members of the company's Board of Directors with rights over company shares:**

Not applicable

A.4 Indicate, where applicable, any family, business, contractual or corporate relations between owners of significant shareholdings, insofar as these are known by the company, unless they bear little relevance or arise from ordinary trading or course of business:

Personal or Corporate Name of related	Type of relationship	Brief description
Inversión Corporativa, I.C, S.A. Finarpisa, S.A.	Societal	Inversión Corporativa, I.C, S.A holds 100% shares in Finarpisa, S.A.

A.5 Indicate, as the case may be, any commercial, contractual or corporate relations between owners of significant shareholdings on the one hand, and the company and/or its group on the other, unless these bear little relevance or arise from ordinary trading or course of business:

Not applicable

A.6 Indicate whether any shareholders' agreements affecting the company have been communicated to the company pursuant to Art. 530 and 531 of the Spanish Law on Corporations. If so, provide a brief description and list the shareholders bound by the agreement:

Participants of the agreement	% of equity capital affected	Brief description of pact
Finarpisa, S.A. Inversión Corporativa, I.C., S.A.	56.369%	<p>On November 9, 2011, Inversión Corporativa IC SA and Finarpisa SA signed an agreement to regulate the exercise of their respective voting rights in the general meetings of Abengoa in relation to the proposal, appointment, ratification, re-selection or substitution of board member to represent First Reserve Corporation. By virtue of said agreement, Inversión Corporativa IC SA and Finarpisa SA jointly agreed to vote in favour of: (a) the appointment of the candidate proposed to said board to serve as board member designated by investor based on the co-optation procedure; and (b) the proposal to recommend to the shareholders of Abengoa, during the next general meeting, to appoint, if need be, a replacement for the board member designated by investor on the Board of Directors.</p> <p>(ii) to vote in the corresponding general meeting of shareholders of Abengoa for the appointment of the candidate proposed by the Investor</p> <p>(iii) FRC or any of its subsidiaries holding Abengoa class B shares or any other instrument convertible in, or exchangeable for, Abengoa Class B shares may not propose or ask the Board of Directors to recommend that the shareholders make any kind of changes to the Company Bylaws which may adversely affect the equality rights of Class B shares and Class A shares such as envisaged in the Bylaws.</p>
Finarpisa, S.A. Inversión Corporativa, I.C., S.A.	56.369%	<p>On August 27, 2012, Inversión Corporativa IC SA and its subsidiary, Finarpisa SA, amended the shareholders' agreement with the Abengoa shareholder, First Reserve Corporation. The amendment was that FRC or any of its subsidiaries holding Abengoa class B shares or any other instrument convertible in, or exchangeable for, Abengoa Class B shares, issued in accordance with the Investment Agreement stipulations or with any other transaction document, may not propose or ask the Board of Directors to recommend that the shareholders make any kind of changes to the Company Bylaws which may adversely affect the equality rights of Class B shares and Class A shares as regards the distribution of dividends or analogous such as envisaged in the Bylaws That they shall vote against such a proposal if submitted by any other shareholder or by the board of directors".</p>
Abengoa, S.A. Inversión Corporativa, I.C., S.A.	56.369%	<p>On August 27, 2012, Abengoa S.A. entered a shareholder agreement with its top shareholder, Inversión Corporativa, I.C., S.A by virtue of which the latter warrants and undertakes, the following, directly or indirectly, through its subsidiary, Finarpisa S.A.:</p> <p>(i) To vote in favour of the agreements regarding points 2nd, 3rd, 4th, 5th, 6th and 7th on the Agenda of the Shareholders' General assembly held on September 30, 2012, as long as it is first verified that the aforementioned agreements are approved by the majority of the shareholders of another class other than those of Inversión Corporativa;</p> <p>(ii) to not exercise its voting rights except up to a maximum of 55.93% in cases in which, as a result of the exercise of the rights of conversion of Class A shares into Class B shares expected to be included in the Corporate Bylaws, the total percentage of the voting rights it holds are seen increased over the company's entire voting rights</p> <p>(iii) that the percentage of the number of shares with voting rights held at all times (whether such shares are Class A or Class B) over the company's total number of shares not be at any time lower than one fourth of the percentage of the voting rights that said shares may allocate to Inversión Corporativa in relation to the company's total number of voting rights; and that, should such be the case, Class A share should be transferred or converted into Class B, in the amount deemed necessary to sustain such proportion.</p>



Specify whether the company is aware of the existence of any concerted actions among its shareholders. If so, provide a brief description:

Not applicable

Expressly indicate any amendments to, or terminations of such accords or concerted actions during the year:

No

A.7 Indicate whether any individual or corporate body currently exercises, or could exercise control over the company pursuant to Article 4 of the Spanish Securities Market Act. If so, please identify:

Yes

**Personal or Corporate Name**

Inversión Corporativa, I.C, S.A.

**Comments**

Inversión Corporativa, I.C, S.A. is the direct holder of 50.178% of the equity capital of Abengoa, S.A. and an indirect holder of 6.192% through its subsidiary, Finarpisa S.A. Inversión Corporativa, I.C, S.A. is bona fide owner of the 100% shares of Finarpisa S.A.

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

At year end:

Class of shares	Number of direct shares	Number of indirect shares (*)	% Total on Capital Stock
Class A Shares	5,550,532	0	6.046%
Class B Shares	36,073,733	0	0.392%
Total	41,624,265	0	6.439%

(\*) Held through:

Name or corporate name of indirect holder Number of direct shares of shares

Total	-
-------	---

Provide details of any significant changes during the year, in accordance with Royal Decree 1362/2007:

Communication Date	Total of direct shares acquired	Total of indirect shares acquired	Total on Capital Stock
23-01-2014	93,426,374	0	1.017
24-02-2014	92,697,860	0	1.016
13-03-2014	95,455,919	0	1.046
3-04-2014	97,744,480	0	1.071
22-04-2014	91,987,300	0	1.008
29-05-2014	95,415,243	0	1.037
20-06-2014	97,205,913	0	1.056
23-07-2014	94,686,178	0	1.029
28-08-2014	92,599,035	0	1.007
25-09-2014	92,782,875	0	1.009
20-10-2014	100,061,800	0	1.088
3-11-2014	94,437,640	0	1.027
20-11-2014	98,275,300	0	1.068
1-12-2014	101,764,100	0	1.109
12-12-2014	92,206,638	0	1.004

A.9 Provide details of the conditions thereof and the current timeframes thereto that shareholders conferred upon the Board of Directors to issue, repurchase or transfer treasury stock.

The Ordinary General Meeting of Shareholders held on April 6 2014 authorized the Board of Directors to buy back the Company's shares either directly or through its subsidiary or investor companies up to the maximum permitted by current laws at a rate set between one hundredth part of a Euro (€0.01) as a minimum and twenty Euros (€20) as maximum, with the specific power of substitution in any of its members. Said power shall remain in force for eighteen (18) months from this very date, subject to article 144 and following of the Corporate Law.

Thus, the authorization conferred upon the Board of Directors for the same purposes, by virtue of the decision taken at the Shareholders' Ordinary General Meeting held on April 7, 2013, was specifically revoked.

On November 19 2007, the company signed a Liquidity Agreement regarding Class A shares with Santander Investment Bolsa, S.V. In replacement of said Liquidity Agreement, on January 10 2013, the company signed a Liquidity Agreement regarding class A shares, pursuant to the conditions set forth in Circular 3/2007, of December 19, of the CNMV.

On November 8 2012, the company signed a Liquidity Agreement regarding Class B shares, with Santander Investment Bolsa, S.V., pursuant to the conditions set forth in Circular 3/2007, of December 19, of the CNMV.

On December 31 2014 the treasury stock amounted to 41,624,265 shares, out of which 5,550,532 are Class A and 36,073,733 are Class B.

Regarding transactions performed during the financial year, the acquired treasury stock amounted to 183,363,281, out of which 14,237,018 were Class A and 169,126,263 Class B, and treasury stock sold amounted to 181,748,323, out of which 14,069,382 were Class A while 167,678,941 were Class B. The net result of the transactions amounted to 1,614,958 shares.

A.10 Indicate whether there are any restrictions on the transferability of stocks and/or any restrictions on the voting rights. In particular, issue report on the existence of any kind of restrictions that could impede complete takeover of the company through the acquisition of its shares on the market.

No

#### Description of the Restrictions

A.11 Indicate whether the General Shareholders' Meeting agreed to implement any neutralization measures to prevent public takeovers pursuant to the provisions of Law 6/2007.

No

#### Where applicable, explain the approved measures and terms under which restrictions will be rendered ineffective:

A.12 Indicate whether the company has issued securities not negotiated on the community regulated market.

Yes

#### If so, indicate the various classes of shares and, for each class of shares, the rights and obligations entailed therein.

Class B shares are also listed in NASDAQ Global Select Market through "American Depositary Shares" represented by "American Depositary Receipts" (with five class B shares interchangeable by one American Depositary Share).

## B. General Meeting

B.1 Indicate and detail the differences, if any, between the quorum required and what is set forth in the Spanish Corporate Law (LSC) for convening the General Shareholders' Meeting.

No

### Description of the Differences

B.2 Indicate and detail the differences, if any, with regards to the system contemplated in the LSC for signing corporate agreements.

No

### Describe how it is different from the system envisaged by the LSC

B.3 Indicate the rules applicable to the amendment of the company's bylaws. In particular, the majority required for the amendment of the bylaws and, as the case may be, report on the legal provisions for the protection of the rights of the partners in the amendment of the bylaws.

Article 11 of the rules and regulations of the General Meeting establishes a special quorum that may enable the ordinary or extraordinary general assembly to validly agree on bond issuance, on capital increase or decrease, on changing, merging or splitting of the company and, in general, on any amendments whatsoever to the Bylaws, thus requiring, on the first call, the attendance of shareholders present or represented with at least fifty percent of the subscribed equity with voting rights and, on the second call, only requiring the attendance of twenty-five percent of said capital. In the event of the attendance of shareholders with less than twenty-five percent of the subscribed capital with voting rights, decisions may only be taken with the favourable votes of two thirds of the capital present or represented in the Meeting".

Article 8 of the bylaws establishes certain rules and regulations for the purpose of protecting minority shareholders in bylaw amendment matters:

"1<sup>†</sup> Separate voting in matters regarding the amendment of bylaws or agreements and other operations that may negatively affect class B shares

Bylaw or agreement amendments that may directly or indirectly damage or negatively affect the pre-emptive rights or privileges of class B shares (including any amendments to the precautionary bylaws regarding class B shares or any agreements that may damage or negatively affect class B shares in comparison with class A shares, or that may benefit or favourably affect class A shares in comparison with class B shares) shall require, in addition to being approved pursuant to the stipulations of these bylaws, the approval of a majority of class B shares in circulation at the time. For explanatory but by no means limiting purposes, said precaution shall entail as follows: the elimination or amendment of the precautions set forth herein on the principles of proportionality between the number of shares representing class A shares, those of class B and those of class C (if previously issued) over the total of the company's shares in the issuance of new shares or securities or instruments that may give rise to conversion, exchange or acquisition, or in any other manner, that may suppose a right to receive the company's shares; the partial or total exclusion, of a non-egalitarian nature for shares of class A, class B and class C (as the case may be), of the pre-emptive and other analogous rights that may be applicable by Law and by these bylaws; the repurchase or acquisition of the company's own shares that may affect class A shares, class B shares and class C shares (as the case may be), in non-identical manner, in terms and conditions, in price or otherwise therein, and which may exceed what is produced under the framework of ordinary operation of treasury stock or which may cause amortization of shares or the reduction of capital in non-identical manner for class A, class B or class C shares (as the case may be); the approval of the company's structural modification that does not amount to treatment identity in all of its aspects for class A and class B shares; the exclusion of the shares of the company from trading on any secondary stock exchange or securities market except through the presentation of an offer of acquisitions for the exclusion from trading as envisaged in the considerations for the class A, class B and class C shares (as the case may be); the issuance of class C or of any other class of preferred or privileged shares that may be created in future.

For that purpose, separate voting rights shall not be required for the various existing classes of shares to decide on whether to totally or partially exclude, as the case may be, the pre-emptive and other analogous rights that may be applicable pursuant to the Law and to these bylaws, simultaneously and identically for class A, class B and, as the case may be, class C shares"

[...]

“2<sup>nd</sup> Separate voting in matters regarding the amendment of bylaws or agreements and other operations that may negatively affect class B shares

Notwithstanding Article 103 of the Corporate Law, amendments of bylaws or agreements that may directly or indirectly damage or negatively affect the pre-emptive rights or privileges of class C shares (including any amendments to the precautionary bylaws relating to class C shares or to any agreement that may damage or negatively affect class C shares in comparison with class A and/or class B shares, or that may benefit or favourably affect class A and/or class B shares in comparison with class C shares) shall require, in addition to approval pursuant to the stipulations of these bylaws, approval by a majority of class C shares in circulation at the time. For explanatory but by no means limiting purposes, said precaution shall entail as follows: the elimination or amendment of the precaution set forth herein on the principles of proportionality between the number of shares representing class A shares, those of class B (if previously issued) and those of class C over the total of the company's shares in the issuance of new shares or securities or instruments that may give rise to conversion, exchange or acquisition, or otherwise, that may suppose a right to receive the company's shares; the partial or total exclusion, of a non-egalitarian nature for shares of class A and/or class B and class C of the pre-emptive and other analogous rights that may be applicable by Law and these bylaws; the repurchase or acquisition of the company's own shares that may affect class A and/or class B shares with regards to class C shares, in non-identical manner, in terms and conditions, in price or in any other manner, and which may exceed what is produced under the framework of ordinary operation of treasury stock or which may cause amortization of shares or reduction of capital in non-identical manner for class A, class B (as the case may be) and class C shares; the approval of the company's structural modification that does not amount to treatment identity in all of its aspects for class A, class B shares (as the case may be) with regards to class C; the exclusion of the shares of the company from trading on any secondary stock exchange or securities market except through the presentation of an offer of acquisitions for the exclusion from the trading as envisaged in the considerations for the class A, (class B as the case may be) and class C shares; the issuance of any other class of preferred or privileged shares that may be created in future.

Notwithstanding the provisions of Article 293 of the Corporate Law, whatever the case may be, the Company's agreements on capital increase under whatsoever modality and under any formula that may give rise to the first issuance of class C shares shall, in addition to its approval in accordance with the legal provisions and with Article 30 of these Bylaws, require the approval of the majority of class B shares that may be in circulation.”

B.4 Give details of attendance at general meetings held during the financial year to which this report refers and during previous financial years

Date of General Shareholders' Meeting	Attendance Data				Total
	% of physical presence	% of proxy	% of absentee voting		
			Electronic voting	Others	
6-4-2014	7.172	65.014	0.00	65.014	72.185
7-4-2013	63.60	4.89	0.00	4.89	68.48

B.5 Indicate whether there are any restrictions in the Bylaws establishing a minimum number of shares needed to attend the General Shareholders' Meeting:

Yes

**Number of shares required for attendance to the General Shareholders' Meeting 375**

B.6 Indicate whether it was agreed that certain decisions entailing a structural modification of the company (“subsidiarization”, purchase-sale of essential operational assets, operations equivalent to liquidating the company...) shall be subject to the approval of the Shareholders' General Meeting, even if not specifically required under Commercial Laws.

No

B.7 Indicate the address of and how to access the company's Website to obtain corporate governance and General Meeting information that should be made available to the shareholders through the Company's Website.

The address of the Abengoa SA Website is [www.abengoa.com/es](http://www.abengoa.com/es) and all the necessary and updated information relating to shareholders meetings can be found under the section of Shareholders and Corporate Governance.

The complete link to be followed:

[http://www.abengoa.es/web/es/accionistas\\_y\\_gobierno\\_corporativo/juntas\\_generales/](http://www.abengoa.es/web/es/accionistas_y_gobierno_corporativo/juntas_generales/)

In compliance with article 539.2 of the Corporate Law, Abengoa approved the regulations for the electronic forum for shareholders to facilitate communication between shareholders in connection with convening and holding each shareholder's general meeting. Shareholders may send the following prior to each general meeting:

- › Proposals intended for inclusion as part of the agenda outlined in the call for the general shareholders' meeting.
- › Requests for the inclusion of said proposals.
- › Initiatives for acquiring the sufficient percentage for the exercise of a minority voting rights
- › Requests for voluntary representation.

## C. Structure of the company's governing body

### C.1 Board of Directors

#### C.1.1 Indicate the maximum and minimum number of board members stipulated in the company Bylaws:

Maximum number of board members	16
Minimum number of board members	3

#### C.1.2 Complete the following table with the Board members:

Personal or Corporate Name of board member	Representative	Seat on the Board	Date of 1st appt.	Date of last appt.	Election procedure
Mr. Felipe Benjumea Llorente		Executive Chairman	25/06/1983	07/04/2013	Voting Rights in Shareholders' Meetings
Aplidig, S.L.	Prof. Mr. José B. Terceiro Lomba	Executive Vice-Chairman. Lead Director	15/04/2007	10/04/2011	Voting Rights in Shareholders' Meetings
Mr. Manuel Sánchez Ortega		Managing Director (CEO)	25/10/2010	10/04/2011	Voting Rights in Shareholders' Meetings
Mr. José Joaquín Abaurre Llórente		Director	25/06/1988	7/04/2013	Voting Rights in Shareholders' Meetings
Mr. José Luis Aya Abaurre		Director	25/06/1983	7/04/2013	Voting Rights in Shareholders' Meetings
Ms. María Teresa Benjumea Llórente		Director	15/04/2007	10/04/2011	Voting Rights in Shareholders' Meetings
Ms. Javier Benjumea Llórente		Director	25/06/1983	7/04/2013	Voting Rights in Shareholders' Meetings
Prof. Mr. José Borrell Fontelles		Director	27/07/2009	7/04/2013	Voting Rights in Shareholders' Meetings
Prof. Ms. Mercedes Gracia Diez		Director	12/12/2005	6/04/2014	Voting Rights in Shareholders' Meetings
Mr. Ricardo Martínez Rico		Director	24/10/2011	01/04/2012	Voting Rights in Shareholders' Meetings

Personal or Corporate Name of board member	Representative	Seat on the Board	Date of 1st appt.	Date of last appt.	Election procedure
Mr. Ricardo Hausmann		Director	06/04/2014	06/04/2014	Voting Rights in Shareholders' Meetings
Mr. Claudi Santiago Ponsa		Director	23/02/2012	01/04/2012	Voting Rights in Shareholders' Meetings
Ms. Ignacio Solís Guardiola		Director	15/04/2007	10/04/2011	Voting Rights in Shareholders' Meetings
Ms. Fernando Solís Martínez-Campos		Director	15/04/2007	10/04/2011	Voting Rights in Shareholders' Meetings
Ms. Carlos Sundheim Losada		Director	15/04/2007	10/04/2011	Voting Rights in Shareholders' Meetings
Ms. Alicia Velarde Valiente		Director	06/04/2008	01/04/2012	Voting Rights in Shareholders' Meetings

**Total number of Board members 16**

Notwithstanding the above, on January 19, 2015, Aplidig S.L. (Prof. Mr. José B. Terceiro) resigned from all posts held on the Company's Board of Directors and its commission. Mr. Antonio Fornieles Melero was appointed to replace it (him) as Independent Director, Second Vice-chairman and Lead Independent Director. Mr. Manuel Sánchez Ortega was appointed as First Vice-chairman, combining this office with that of CEO.

**Indicate the terminations that occurred on the board of directors during the period being reported**

None

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

**Executive board members**

Personal or corporate name of board member	Commission that proposed the appointment	Position within the company structure
Mr. Felipe Benjumea Llorente	Appointments and Remunerations Commission	Executive Chairman
Aplidig, S.L.	Appointments and Remunerations Commission	Vice-chairman
Mr. Manuel Sánchez Ortega	Appointments and Remunerations Commission	Managing Director (CEO)
Mr. Javier Benjumea Llorente	Appointments and Remunerations Commission	Director

Notwithstanding the above, on January 19, 2015, Aplidig S.L. (Prof. Mr. José B. Terceiro) resigned from all posts it (he) held on the Company's Board of Directors and its commissions.

<b>Total number of executive Board members</b>	<b>4</b>
<b>Total % of Board</b>	<b>25%</b>

**Independent External Directors**

Personal or corporate name of board member	Commission that proposed the appointment	Personal or corporate name of the significant shareholder they represent or which proposed their appointment
Mr. Fernando Solís Martínez-Campos.	Appointments and Remunerations Commission	Inversión Corporativa, I.C., S.A.
Mr. Ignacio Solís Guardiola.	Appointments and Remunerations Commission	Inversión Corporativa, I.C., S.A.
Mr. José Joaquín Abaurre Llorente	Appointments and Remunerations Commission	Inversión Corporativa, I.C., S.A.
Mr. José Luis Aya Abaurre	Appointments and Remunerations Commission	Inversión Corporativa, I.C., S.A.
Ms. M <sup>ª</sup> . Teresa Benjumea Llorente	Appointments and Remunerations Commission	Inversión Corporativa, I.C., S.A.
Mr. Carlos Sundheim Losada	Appointments and Remunerations Commission	Inversión Corporativa, I.C., S.A.
Mr. Claudi Santiago Ponsa	Appointments and Remunerations Commission	First Reserve Corporation

<b>Total number of proprietary Board members</b>	<b>7</b>
<b>Total % of Board</b>	<b>43.75%</b>



**External Independent Board members**

<b>Personal or corporate name of board member</b>	<b>Profile</b>
Prof. Mr. José Borrell Fontelles	Independent
Ms. Alicia Velarde Valiente	Independent
Prof. Ms. Mercedes Gracia Diez	Independent
Mr. Ricardo Martínez Rico	Independent
Mr. Ricardo Hausmann	Independent

As already stated, on January 19, 2015 Mr. Antonio Fornieles Melero was appointed as Independent Director.

**Total number of independent board members** 5

**Total % of board members** 31.25%

Indicate whether any director classified as independent receives any amount or benefit from the company or from his/her own group, in any concept other than in remuneration as board member, or whether he/she maintains or has maintained a business relation with the company or with any company within its group during the last financial year, in his/her own name or as significant shareholder, board member or top executive of a company that maintains or has maintained such relationship.

As the case may be, the board shall include a statement outlining the reasons why it deems that said board member can perform his/her duties in the capacity as independent board member.

<b>Personal or corporate name of board member</b>	<b>Profile</b>	<b>Profile</b>
Mr. Ricardo Martínez Rico	Service Agreement signed between Abengoa SA and Equipo Económico SL by virtue of which said Company warrants and undertakes to perform integral and strategic consultancy services for Abengoa and other companies within its group. Ricardo Martínez Rico is Chairman of Equipo Económico SL.	In accordance with the definition of Independent Member, Mr. Ricardo Martínez Rico fulfils the independence requirements necessary for him to perform his functions in the capacity as independent member, since the benefits acquired is not significant in comparison with the total yearly turnover of Equipo Económico.

**Other External Board members**

Not applicable

Explain the reasons why these cannot be considered independent or proprietary, and detail their connections with the company, its executives or shareholders:

Not applicable

Indicate the variations, as the case may be, that occurred during the period in the typology of each board member:

Not applicable

C.1.4 Complete the following table with the information on the number of female board members for the last four financial years, including the nature of such board members:

	Number of Female Board Members				% of total of board members in each typology			
	Date of Change				Previous Conditions		Current Conditions	
	Financial Year t	Financial Year t-1	Financial Year t-2	Financial Year t-3	Financial Year t	Financial Year t-1	Financial Year t-2	Financial Year t-3
Executive	0	0	0	0	0	0	0	0
Proprietary	1	1	1	1	14.28	14.28	12.5	14.28
Independent	2	2	2	2	40	50	50	40
Other External	0	0	0	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>18.75</b>	<b>20</b>	<b>20</b>	<b>20</b>

C.1.5 Explain, as the case may be, the measures taken by the company to ensure that females are included on the Board of Directors in a number that may ensure the male/female equilibrium.

#### Explanation of the measures

Five of the members of the Board of Directors are independent and two of those are female. The appointments and remunerations Commission promotes the inclusion of females on to the board of directors, specifically focusing on the posts of independent board member since the rest of the other member-posts that make up the Board are proprietary board member posts whose selections do not directly depend on the Commission. Thus, Abengoa ensured that the number of women is representative based on the number of independent members by applying the policy established in Article 1 letter a and b of the regulations of the Appointments and Remunerations Commission which specifically outlines the quest for equal opportunities: "Article 1 - Composition and Structure". [...] "The Appointments Commission shall establish procedures and, in the event of new vacancies, shall ensure that:

- › the procedures for filling in board vacancies refrain from implicit bias against female candidates;
- › the company makes a conscious effort to include females in the target profile among the candidates for board places."

Moreover, through the company's Equality Framework Plan, Abengoa has defined a corporate strategy in the field of equal rights between male and female. Thus, all Abengoa companies and work centres take and use this Plan as reference to develop and approve their own. In 2009, to ensure the practice of these values, Abengoa created the Equal Opportunity and Treatment Office (OITO) under the Equality Framework Plan. The mission of this office is to advocate gender equality with the whole organization, promoting, developing and managing the Equality Framework Plan and all plans associated with it.

In addition, the company created the Equal Opportunity and Treatment Commission, presided over by the Human Resources Director and integrated by the HR heads from the various areas and geographical locations of the business as well as by the CSR director as permanent members, for the purpose of worldwide follow-up, and subsequent development of the issues relating to equal opportunity among the male and female employees of Abengoa

C.1.6 Explain the measures, as the case may be, that the Appointments Commission may have agreed upon to ensure that selection procedures refrain from implicit bias that would otherwise impede the selection of female members, and that the company purposefully seeks to include and includes female candidates that meet the professional profile sought:

#### Explanation of the measures

The Appointments and Remunerations Commission objectively and transparently assess the potential candidates based on merit criteria, promoting male and female equality and rejecting all kinds of direct or indirect discrimination based on sex.

The Commission, which includes women in its rank and file, assesses the competences, knowledge and experience that the Board requires, and defines the aptitude and functions sought in the candidates to occupy the vacancy available, evaluating the time and dedication such candidates may require to be able to diligently perform their duties, and then decide by majority vote.

**If albeit the measures implemented, as the case may be, the number of female board members is still scarce or non-existent, explain the reasons to justify such:**

#### Explanation of Reasons

Not applicable

C.1.7 Explain the manner in which shareholders with significant shares are represented on the board.

Shareholders with significant shares are represented by proprietary (dominion) board members who exercise their functions based on the company's code of conduct and on the rest of the standards and regulations deemed applicable to all members of the board.

C.1.8 Explain, where applicable, the reasons why proprietary members were appointed at the request of shareholders with stakes amounting to less than 5% of the share capital:

Personal or Corporate Name of the shareholder	Reason
Mr. Claudi Santiago Ponsa	<p>On November 9, 2011, Inversión Corporativa IC SA and Finarpisa SA, in the capacity as shareholders of Abengoa, signed an agreement to regulate the exercise of their respective voting rights in the general meetings of Abengoa in relation to the proposal, appointment, ratification, re-selection or substitution of board member to represent First Reserve Corporation.</p> <p>By virtue of said commitment, among other things, Inversión Corporativa I.C., S.A. and Finarpisa, S.A., jointly agreed on the following:</p> <p>(i) to vote on the following through their representatives on the Board of Directors of Abengoa: (a) the appointment of the candidate proposed to said board to serve as board member designated by investor based on the co-optation procedure envisaged in the Corporate Law; and (b) the proposal to recommend that during the next meeting of the general Meeting the Shareholders of Abengoa appoint, as the case may be, a replacement for the board member designated by investor on the Board of Directors.</p> <p>(ii) to vote in the corresponding general assembly of shareholders of Abengoa in favour of the appointment of the candidate proposed by Investor to serve as investor's representative on the Board of Directors.</p>

**Detail any failure to address formal requests for board representation made by shareholders with stakes equal to or exceeding that of others at whose request proprietary members were appointed. If so, explain the reasons why the request was not entertained:**

Not applicable

C.1.9 Indicate whether any board member resigned his/her post before the end of term of office, whether reasons were given to the Board and how, and, if in writing to the entire Board, at least explain the reasons given by the board member:

No

C.1.10 Indicate, as the case may be, the powers delegated by any Chief Executive Officers:

Name or denomination of director	Brief description
Mr.Felipe Benjumea Llorente	All board powers except for those that cannot be delegated pursuant to the law and the bylaws.
Mr. Manuel Sánchez Ortega	All board powers except for those that cannot be delegated pursuant to the law and the bylaws

C.1.11 Identify, if possible, the board members holding administrator or management posts in other companies making up the group of companies listed on the stock market:

Personal or Corporate Name of board member	Corporate name of entity of group	Post
Prof. Mr. José B. Terceiro	Bioetanol Galicia S.A	Executive Chairman
Mr. Javier Benjumea Llorente	Abengoa Bioenergía, S.A.	Executive Chairman
	Abengoa Solar, S.A.	
Ms. María Teresa Benjumea Llorente	Sociedad Inversora en Energía y Medio Ambiente, S.A.	Board Member
	Abengoa Bioenergía, S.A.	Director
	Abengoa Solar, S.A.	Director
Mr. Manuel Sánchez Ortega	Gestión Integral de Recursos Humanos, S.A	Executive Chairman
	Abengoa Yield, plc	Chairman

Notwithstanding the above, on January 19, 2015, Aplidig S.L. (Prof. Mr. José B. Terceiro) resigned from all posts it (he) held on the Company's Board of Directors and its commissions.

C.1.12 Provide details, where applicable, of company Board members who also sit on the boards of other entities not belonging to the same business unit and are listed on the Spanish Stock Exchange, of which the company is aware:

Not applicable

C.1.13 Indicate, and if so, explain whether the company has established rules on the number of Boards on which its own Board members may sit:

No

**Explanation of the rules**

C.1.14 State the company's general policies and strategies that the board reserved the powers to approve in plenary session:

	Yes	No
Investment and financing policy	x	
Definition of the structure of the group of companies	x	
Corporate governance policy	x	
Corporate social responsibility policy	x	
The strategic or business plan, management targets and annual budgets	x	
Senior staff performance remuneration and evaluation policy	x	
Risk control and management policy, and the regular monitoring of internal information and control systems	x	
Dividend and treasury stock policies and especially their limits	x	

C.1.15 Indicate the comprehensive remuneration of the Board of Directors

Comprehensive remuneration of the Board of Directors (in thousands of Euros)	15,833
Amount of the comprehensive remuneration for the concept of accumulated pension entitlements (in thousands of Euros)	0
Comprehensive remuneration of the Board of Directors (in thousands of Euros)	15,833

C.1.16 Identity any senior management staff who is not also an executive board member, and indicate the total remuneration payable thereto during the financial year:

Personal or Corporate Name	Post
Javier Garoz Neira	Director of Bioenergía
Alfonso González Domínguez	Director of Engineering, Industrial Construction & Latin America
Santiago Seage Medela	Director of Concessions
Carlos Cosin Fernández	Director of Abengoa Water
Manuel Doblaré Castellano	Director of Abengoa Research
Armando Zuluaga Zilbermann	Director of Abengoa Solar
Enrique Aroca Moreno	Director General of Simosa IT
Daniel Alaminos Echarri	Secretary General
Miguel Angel Jiménez-Velasco Mazarío	Director of Compliance
José Domínguez Abascal	Assistant Secretary General
Álvaro Polo Guerrero	Director of Human Resource
Luis Fernández Mateos	Director of Organizations and Budget
Jesús Angel García-Quilez Gómez	Co-CFO Financial Markets
Juan Carlos Jiménez Lora	Director Planning and Control and Remunerations
Luis Enrique Pizarro Maqueda	Director of Internal Audits
Enrique Borrajo Lovera	Director of Consolidation
Bárbara Sofía Zubiria Furest	Co-CFO Capital Markets & IR
German Bejarano García	Director of International Institutions Relations
Fernando Martínez Salcedo	Secretary General of Sustainability

**Total of Remunerations for Senior Staff**

**11,351**

Notwithstanding the above, effective February 1, 2015, Mr. Ignacio García Alvear replaced Bárbara Zubiría Furest as Co-CFO Capital Markets & IR. Furthermore, in 2015 Mr. Fernando Martínez Salcedo has also ceased to be member of the senior management.

**C.1.17 Identify, as the case may be, the members of the Board of Directors who are also members of the board of directors of significant shareholding companies and/or in entities of their group:**

<b>Personal or Corporate Name of board member</b>	<b>Corporate name of significant shareholder</b>	<b>Post</b>
Mr. Felipe Benjumea Llorente	Inversión Corporativa, IC, S.A.	Executive Chairman
Mr. Felipe Benjumea Llorente	Finarpisa, S.A.	Executive Chairman
Mr. Javier Benjumea Llorente	Inversión Corporativa, IC, S.A.	Member
Mr. Ignacio Solís Guardiola	Inversión Corporativa, IC, S.A.	Member
Mr. Fernando Solís Martínez Campos	Inversión Corporativa, IC, S.A.	Member
Mr. José Luis Aya Abaurre	Inversión Corporativa, IC, S.A.	Member
Mr. José Joaquín Abaurre Llorente	Inversión Corporativa, IC, S.A.	Member

**Provide details, where applicable, of any relevant relations other than those contemplated in the previous section, between members of the board of directors and significant shareholders and/or group entities::**

Not applicable

**C.1.18 Indicate whether any of the rules and regulations of the board were amended during the financial year:**

Yes.

**Description of Amendments**

By virtue of the Board of Directors decision taken on October 20 2014, Article 29 of the Board of Directors Regulations was added to reflect the creation of the Strategy

and Technology Commission. Said commission shall comprise of three Board Members minimum, appointed by the Board of Directors. More than half of them shall be non-executive Board Members. The appointment shall be for a period of four years, renewable for same periods maximum. Their primary functions will be to:

- › Analyse basic issues relating to technology and strategy, in consensus manner, that may affect Abengoa, including the studying or entrusting the study of products and services that make up of may make up Abengoa’s portfolio.
- › Prospectively analyse the possible evolution of Abengoa’s business based on its own or third party technology developments.
- › Supervise the R+D policy and investments and Abengoa’s strategic lines of technology development.
- › Analyse and supervise the main activities related to technology in Abengoa, such as patent portfolios, their management, innovation introduction, etc.
- › Gather information on the organization and personnel of the company through the Executive Chairman of Abengoa.
- › Inform the Board of Directors, or its Executive Chairman, on whatsoever matters it may require in relation to Abengoa’s strategic and technology development.
- › All other matters relating to aspects of its authority that may be requested of it by the Board of Directors or its Executive Chairman

Likewise, after the fiscal year close, by virtue of the Board of Directors decision taken on January 19 2015, Article 22 of the Board of Directors Regulations was amended to add the following paragraph:

“The Board of Directors will be entitled to designate the lead independent director referred to in article 529 septies of the Companies Act as second vice-chairman of the board of directors”.

**C.1.19 Indicate the procedures for the selection, appointment, reappointment, appraisal and removal of Board members. Provide details of the authorised bodies, the procedures to follow and criteria to employ in each of the procedures.**

The Appointments and Remunerations Commission is the body authorised in all cases to provide the Board of Directors with duly substantiated proposals, applying the criteria of independence and professionalism as established in the regulations governing the Board and the Commission.

The performance of the board members and of the executive board members is assessed on the Appointments Commission's proposal through substantiated reports filed to the Board during the meeting held in the subsequent first quarter that follows the closing of the previous financial year and after obtaining or at least knowing the accounting estimate for the financial year closing and upon receipt of the auditor's report since both are essential as assessment criteria.

The Audit Commission and the Appointments and Remunerations Commission were formed on December 2, 2002 and on February 24, 2003, respectively. On the same date, the board of directors prepared a proposal to amend the bylaws for the purpose of incorporating provisions for the Audit Commission, the proposal for regulating meetings of Shareholders, the partial amendments to board of directors' regulations and, finally, the internal regulations of the audits Commission and of the appointments and remunerations Commission, approved by the general shareholders' meeting held on June 29, 2003.

In February 2004 the composition of both Commissions was modified to permit independent board members from outside the company to become members of said commissions. Consequently, the Audit Commission and that of Appointments and Remunerations now comprised of non-executive board members, all of them independent, as required in the Financial System Reforms Law. Since there was as yet no appointments commission, the first two independent board members were appointed by the board of directors, as is logical. Said independence is also ratified on annual basis by the Appointments Commission. Once created, it was entrusted with the duty to propose the appointment of board members, and since then it has remained in charge of proposing to the Board of Directors

With regards to the procedures for selecting and appointing independent board members, the appointments and remunerations Commission is the body in charge of selecting profiles that best represent the needs of the different interest groups among professionals of different fields and of renowned national and international prestige. The procedure for selecting them is based on merits and on the intention to cover any vacancy with professional profiles that are not linked to any specific interests.

Thus, the appointments and remunerations Commission performs annual inspections to verify the sustenance of the conditions met for the appointment of the board member and the nature and typology assigned to said member, and then includes the information in the annual report of the corporate governance. The appointments commission likewise strives to ensure that the selection procedures for filling in vacancies refrain from implicit

biases that may hinder the inclusion of females that fit the required profile into the potential candidates. Its functions also include reporting to the Board of Directors on appointments, re-elections, terminations and remunerations of board members and posts, as well as the general policy of remunerations and incentives for board members and for the senior management and to inform the board of directors beforehand on all proposals to be submitted to the general shareholders for the appointment or dismissal of board members, even in cases of co-optation by the board of directors itself.

In relation with the above, external auditors issue annual verification reports that are independent from the report issued by the corporate governance of Abengoa S.A., evaluating whether its contents conform both with the recommendations of the report of the special work group on the good governance of listed companies (Unified Code of Good Governance) as well as with the amendments fostered in by virtue of Law 2/2011, of 4th March, on Sustainable Economy

#### C.1.20 Indicate whether the Board of directors made any efforts to assess its activities during the financial year

Yes

**If so, explain to what extent the self-assessment has given rise to significant changes in its internal organization and regarding the procedures followed in its activities:**

#### Description of Amendments

There were no amendments

#### C.1.21 Indicate the cases in which Board members are obliged to resign.

Directors are removed from office when the term for which they were appointed comes to an end, and in all other cases deemed appropriate by law, the bylaws or the regulations.

Board Members are obliged to surrender their posts to the board of directors and to formalize their resignation, if the board deems it convenient, in the following cases:

- › If they are involved in any of the supposed incompatibilities or prohibitions envisaged by law.
- › If deemed severely liable by any public authority for infringing upon their obligations as board members.
- › If the board itself requests it so because board member is deemed to have infringed upon his/her obligations thereof.

Thus, Article 13 (Board Member Termination) of the Board of Directors Regulations establishes that:

- › 1.Board Members duties shall be terminated if the duration period of the appointment expires or if all other assumptions deemed appropriate by the Law, the Bylaws, and the Regulations, occur.
- › 2.Board Members are obliged to surrender their posts to the board of directors and to formalize their resignation, if the board deems it convenient, in the following cases:
  - If they are involved in any of the supposed incompatibilities or prohibitions envisaged by law.
  - If deemed severely liable by any public authority for infringing upon their obligations as board members.
  - If the board itself requests it so because board member is deemed to have infringed upon his/her obligations thereof.
- › 3.When the period expires or duty is terminated, whatever the reason, said board member may not render any services to any other competing entity for a period of two years, except if the board of directors release him/her from this obligation or shortens the duration.”

C.1.22 Indicate whether it is the chairman of the board of directors who also serves as the company's chief executive. If so, outline the measures taken to limit the risks entailed in concentrating powers in a single person:

Yes

**Measures to limit risks**

In accordance with the provisions of article 44 bis of the Company's Bylaws, on December 2, 2002 and on February 24, 2003, the board of directors set up the audits Commission and the appointments and remunerations Commission, respectively.

These Commissions are vested with the necessary non-delegable powers inherent in the responsibilities assigned them by law, by the bylaws and by their respective internal regulations, which makes them organs of monitoring and supervision of issues within their power.

Both are presided over by independent, non-executive board members, and are exclusively comprised of independent and non-executive board members.

On December 10, 2007, the board of directors decided to appoint Prof. Mr José B. Terceiro Lomba (representing Aplidig SL), coordinator-board member, as Executive Deputy Chairman of the board of directors, with the consent of all the other board members and especially the independent members. Notwithstanding the above, on January 19, 2015, Aplidig S.L. (Prof. Mr. José B. Terceiro) resigned from all posts it (he) held on the Company's Board of Directors and its commissions.

On October 25, the board of directors also decided to appoint Mr. Manuel Sánchez Ortega as CEO sharing his executive duties with Mr. Felipe Benjumea Llorente. Said appointment was ratified by the General Shareholders' Meeting on April 10, 2011. Based on the explanation above, with four executive board members, and an ample majority of independent or external board members, all the decisions taken by the top executive are subject to effective monitoring to ensure that power is not concentrated in the top executive, to boost decision-making and to allow the company governance to function properly.

**Indicate and, if so, explain whether rules were established to empower any independent board member to request the convening of a board meeting, or to include new items on the agenda, in order to coordinate and echo the concerns of external board members and to oversee the assessment by the board of directors.**

Yes

**Explanation of the rules**



There are currently sixteen members on the board of directors. The Board of Directors Regulations governs the composition, functions and internal organization of the governing body. The company also has an Internal Code of Conduct that bounds the board of directors, the senior management and all other employees deemed affected by virtue of the positions or powers that may be held in matters relating to the Stock Market. The Shareholders' General Meeting Regulations governs the formal aspects and the internal system for holding shareholders' meetings. Lastly, the board of directors is assisted by its audits Commission, the appointments and remunerations Commission and, more recently, the strategy and technology commission, each of which has its own respective internal regulations. All the rules and regulations, set forth in the consolidated text of the company's Internal Good Governance Rules, are available on the company's website at [www.abengoa.es](http://www.abengoa.es) and [www.abengoa.com](http://www.abengoa.com).

Since it was formed, the appointments and remunerations Commission has been analysing the structure of the company's governing body and adapting it to the recommendations of corporate governance, especially to the historic and special configuration of said bodies within Abengoa. In February 2007, based on this analysis, the commission recommended the creation of the post of Lead Director, and the elimination of the Board of Directors' Advisory Board. The first measure was in order to incorporate the corporate governance recommendations prepared in Spain in 2006; the second, because it was deemed that said Advisory Board had already performed the duty for which it was originally created and that its coexistence with the corporate bodies could lead to conflicts of power. Both proposals were approved at the Board of Directors' meeting held in February 2007 and at the General Shareholders' Meeting held on April 15 of the same year. Thus, Prof. Mr José B. Terceiro was appointed (on behalf of Aplidig, S.L.) as Lead Director, in his capacity as independent member, until January 19, 2015, when he (it) was replaced by Mr. Antonio Fornieles Melero. On a final note, in October 2007 the commission proposed that the board should accept the resignation of Mr. Javier Benjumea Llórente from his post as Deputy Chairman and should also revoke his delegated powers, and should likewise accept the appointment of a new natural person to represent Abengoa and Focus-Abengoa Foundation in entities or companies where representation is required.

The commission then decided to revisit the study of the number and characteristics of the Deputy Chairman of the board of directors within the current structure of governing bodies.

As a result, the commission thought it necessary to restrict the powers of the Deputy Chairman of Abengoa to those conferred under the Spanish Corporate Law with regards to the organic representation of the company on the one hand, and as balance to the

Chairman's functions on the board of directors, on the other. Thus, it was considered that the coordinating board member – with the functions assigned by the resolutions of the board of directors (February 2007) and the shareholders' general meeting (April 2007) – was the ideal figure, given the corporate governance recommendations and the company structure, as well as the composition and diversity of its directors. The coordinating board member has already been entrusted with the task of coordinating the concerns and motivations of the other board members, and empowered to convene board meetings and to include new items on the agenda. In its role as the visible protector of the interests of the Board members, it holds more of a de facto than of a de jure kind of representation on the Board, such that it seemed appropriate to confirm and expand this representation by making the post both institutional and organic. For the reasons outlined above, the commission proposed Aplidig, S.L. (Aplidig, represented by Prof José B. Terceiro Lomba), the then Lead Director, as the new Executive Deputy Chairman to the Board of Directors. In addition, and within the functions of organic representation, the executive deputy chairman, jointly with the chairman of the board of directors, has been put forward as the physical representative of Abengoa, in its capacity as the Chair of the Board of the Focus-Abengoa Foundation, as well as in any other foundations and institutions in which the company is or should be represented.

In view of the above, on December 10, 2007, the board of directors agreed to appoint Aplidig, S.L. (represented by Prof José B. Terceiro Lomba), the then Lead Director, as Executive Deputy Chairman of the Board of Directors, and the independent board members unanimously consented to it retaining its post as coordinating board member in spite of its new appointment as Executive Deputy Chairman. In addition, and within the functions of organic representation (conferred through a power of attorney granted by the board of directors on July 23, 2007), the Executive Deputy Chairman, together with the Chairman of the Board of Directors, was proposed as joint physical representative of Abengoa, in its capacity as the Chair of the Board of Focus-Abengoa Foundation, and of any other foundations and institutions in which the company is or should be represented.

Notwithstanding the above, as indicated, on January 19, 2015, Aplidig S.L. (Prof. Mr. José B. Terceiro) was replaced by Mr. Antonio Fornieles Melero as Lead Independent Director, with the powers set forth in article 529 septies of the Companies Act, and Second Vice-chairman, the latter being non-executive.

C.1.23 Does the company require reinforced majorities other than the legal majorities for any type of resolution? If so, provide a description of the differences.

No

**Description of the differences**

C.1.24 Explain whether there are specific requirements other than those relating to Board members for being appointed Chairman of the board of directors.

No

C.1.25 Indicate whether the Chairman has a deciding vote:

Yes

**Matters in which there is a deciding vote:**

In the event of draws.

C.1.26 Indicate whether the bylaws or board regulations establish any age limit on board members:

No

C.1.27 Indicate whether the bylaws or board regulations establish a limited mandate for independent board members, other than established in the law:

No

**Maximum number of years of mandate**

C.1.28 Indicate whether the bylaws or the board of directors' regulations establish specific regulations for delegating voting rights on the board of directors, how it is done and, in particular, the maximum number of delegations that may be conferred on a board member, as well as whether it has been made compulsory to delegate in a board member of similar class. If so, provide brief details of said regulations.

The second section of Article 10 of the Regulations of the Board of Directors establishes the following:

"Each board member may confer his/her representation upon another board member without it limiting the number of representations that each may hold for attendance to the board. The representation of the absent board members may be conferred in writing by any means whatsoever, including telegram, telex or telefax addressed to the chair."

C.1.29 Indicate the number of board meetings held during the financial year. Likewise indicate, where applicable, the number of times the Board met without the chairman in attendance: Proxies granted with specific instructions for the meeting shall be counted as attendances:

<b>Number of board meetings</b>	<b>18</b>
<b>Number of board meetings without the attendance of the Chairman</b>	<b>0</b>

**Indicate the number of meetings held by the different board commissions during the financial year:**

<b>Number of meetings of the Executive or Delegate Commission</b>	<b>Not applicable.</b>
Number of meetings of the Audit commission	7
Number of meetings of the Appointments and Remunerations commission	6
Number of meetings of the strategy and technology commission	2
Number of meetings of the Appointments commission	Not applicable.
Number of meetings of the Remunerations commission	Not applicable.
Number of meetings of the Appointments commission	Not applicable.

C.1.30 Indicate the number of board meetings held during the year with the attendance of all its members. Proxies granted specific instructions for meetings shall be counted as attendances:

<b>Attendance of Board Members</b>	<b>16</b>
<b>% of attendance of total votes cast during the year</b>	<b>96.11</b>

C.1.31 Indicate whether the individual and consolidated financial statements submitted for approval to the board of directors are first certified:

Yes

**Identify, as the case may be, the person or persons who certified the company's individual and consolidated financial statements, for their approval by the Board:**

<b>Name</b>	<b>Post</b>
Enrique Borrajo Lovera	Director of Consolidation

C.1.32 Explain, if any, the mechanisms that the board of directors put in place to prevent the board-prepared individual and consolidated financial statements from being presented at shareholders' general meeting with reservations in the audit report.

The risk control system, the internal audit services and the audits Commission to which the others report, are set up as frequent and regular monitoring and supervision mechanisms that prevent and, if appropriate, resolve potential situations which, if not addressed, could give rise to incorrect accounting treatment. Thus, the audits Commission receives regular information from the external auditor on the Audits Plan and on the results of its execution, and ensures that senior management acts on its recommendations.

C.1.33 Is the secretary to the Board also a board member?

No

C.1.34 Explain the procedures for the appointment and removal of the secretary to the board, indicating whether they are proposed by the appointments commission and approved by plenary session of the Board.

**Appointment and Removal Procedure**

The appointments and remunerations Commission makes the proposal

	<b>Yes</b>	<b>No</b>
Does the Appointments Commission report on appointments?	x	
Does the Appointments Commission report on dismissals?	x	
Does the plenary session of the Board approve appointments?	x	
Does the plenary session of the Board approve removals?	x	

**Is the Secretary to the Board entrusted with the duty of ensuring that the recommendations on good governance are followed?**

No

**Comments**

The compliance officer is in charge of ensuring follow-ups on corporate good governance recommendations and at the same time in charge of ensuring compliance with the internal rules and regulations.

C.1.35 Indicate, as the case may be, the mechanisms established by the company to preserve the independence of the external auditors, the financial analysts, the investment banks and the rating agencies.

Article 27 of the Board of Directors Regulations establishes the function of the audits Commission as being to ensure the independence of the external auditor, which includes ensuring an inspection of the services rendered, the limits on the concentration of the auditor's business, and in general, other regulations in existence to ensure the independence of the auditors. With regards to financial analysts and investment banks, the company maintains an internal procedure for issuing a request for three offers that may be contracted, at the same time the company prepares a mandate letter which reflects the

specific terms of the work contracted. As regards credit rating agencies we have the ratings of three agencies plus their mandate letters.

C.1.36 Indicate whether the company changed its external auditor during the financial year. If so, identify the incoming and outgoing auditors:

No

**In the event of disagreements with the outgoing auditor, please provide details:**

No

**Explanation of the disagreements**

C.1.37 Indicate whether the audit firm performs other non-audit work for the company and/or its business group and, If so, state the total fees paid for such work and the percentage this represents of the fees billed to the company

	Company	Group	Total
Fees for non-audit work (in thousands of Euros)	292	2,104	2,396
Fees for non-audit work/total amount invoiced by the audit firm (in %)	37%	30%	43%

C.1.38 Indicate whether the audit report on the annual accounts for the previous financial year contains reservations or qualifications. If so, detail the reasons given by the Chairman of the Audit Commission to explain the content and scope of such reservations or qualifications.

No

**Explanation of the reasons**

C.1.39 State the number of consecutive years for which the current audit firm has been auditing the annual accounts of the company and/or its business group. Also indicate the percentage of years the current audit firm has been auditing the accounts over the total number of years the annual accounts have been audited:

	Company	Group
Number of consecutive years	3	3
Number of years audited by the current auditing company / number of years the company has been audited	0.12	0.12

C.1.40 Indicate and, if possible, provide detail of the procedure by which directors may seek external consultancy:

**Details of the procedure**

The Secretary to the Board of Directors exercises the functions legally attributed to that position. Currently, the office of secretary and legal consultant are not vested in the same person responsible for ensuring that meetings are validly convened and that resolutions are validly adopted by the Board. In particular, he/she advises board members on the legality of the deliberations and motions put forward and on compliance with the Internal Corporate Governance Regulations, which renders him/her the guarantor of the principle of formal and material legality that governs the actions of the Board of Directors. The secretary to the Board of Directors, as a specialized guarantor of the formal and material legality of the board's conduct, has the full support of the latter to execute its functions with complete independence of criteria and stability, and is responsible for ensuring compliance with the internal regulations on corporate governance. Single-handedly, or through the board members, he/she channels the external consultancy necessary for the due training of the board.

The Board of Directors has access to external, legal or technical consultants, depending on its needs, which may or may not be arbitrated through the Board secretary. The second paragraph of Article 19 of the Regulations of the Board of Directors sets forth that.

“Through the Chairperson of the Board of Directors, Board Members shall be empowered to submit a proposal by majority to the Board of Directors to engage the services of a legal, accounting, technical, financial, commercial or any other kind of consultants deemed necessary in the interests of the Company to provide assistance in the exercise of their duties in dealing with specific problems of certain magnitude and complexity linked with the exercise of such duties.”

**C.1.41** Indicate and, as the case may be, provide detail of the procedure by which board members can obtain the necessary information in advance to prepare for meetings of the governing bodies:

Yes

#### Details of the procedure

Remitting of documents and/or making them available at the Board headquarters in advance of Board Meetings. Also, in compliance with the stipulations in recommendations 24 and 25 of the Unified Code of Good Governance, the company prepared a handbook of basic internal regulations applicable to the functions and responsibilities of the board member to be issued to each new board member appointed, to provide vast knowledge of the company and its internal rules.

**C.1.42** Indicate and, as the case may be, provide detail of whether the company established rules that oblige directors to report and, where appropriate, resign in cases where the image and reputation of the company may be at stake:

Yes

#### Explain the rules

Article 13 of the Board of Directors Regulations establishes that “Board members must offer to resign and, if the Board of Directors considers it appropriate, resign under the following circumstances: if deemed to be involved in any of the legally envisaged suppositions of incompatibility or prohibition.”

Section (p) of Article 14.2 of the same Regulation also establishes the obligation of the board members to inform the company of all legal and administrative claims and of any other claims that, given the magnitude, may severely affect the reputation of the company.

**C.1.43** Indicate whether any member of the Board of Directors informed the company that he/she was tried or formally accused of any of the offences stipulated in Article 213 of the Spanish Corporate Law:

No

**Indicate whether the Board of Directors analysed the case. If the answer is yes, explain the reasons for the decision taken on whether or not the board member should continue to hold its post or, as the case may be, state the actions that the Board of Directors have taken up to the date of this report or the report intended to be issued later.**

Not applicable

**C.1.44** List the still valid significant agreements signed by the company, whether modified or terminated in the event of a change in the company's control through a hostile takeover bid, and its effects.

The Company has not entered into any significant agreements that become effective, are amended or concluded as a consequence of a change in the company's control through a hostile takeover bid. However, the Company has entered into a bulk of agreements and financial contracts that could be terminated in case of a change in the control majorities of the Company, change that does not always occur in case of a takeover bid.

**C.1.45** Identify in sum and provide detail of the agreements signed between the company and its administrative, management or employee posts with compensations, guarantees or protection clauses, in the event of resignation or unlawful dismissal or if contractual relationship is abruptly halted because of a hostile takeover bid or other kinds of transactions.

Not applicable

**Indicate whether the governing bodies of the company or its group must be informed of and/or must approve such contracts:**

## C.2 Commissions of the Board of Directors

C.2.1 Give details of all Commissions of the board of directors, their members and the proportion of proprietary and independent board members on such Commissions:

### Audits Commission

Name	Post	Typology
Prof. Ms. Mercedes Gracia Díez	Chairperson	Independent
Prof. Mr. José Borrell Fontelles	Member	Independent
Ms. Alicia Velarde Valiente	Member	Independent
% of executive board members	0	
% of proprietary board members	0	
% of independent board members	100	

### Appointments and Remunerations Commission

Name	Post	Typology
Prof. Mr. José Borrell Fontellés	Executive Chairman	Independent
Ms. Alicia Velarde Valiente	Member	Independent
Prof. Ms. Mercedes Gracia Díez	Member	Independent
% of executive board members	0	
% of proprietary board members	0	
% of independent board members	100	

On January 19, 2015, the Independent Director, Mr. Antonio Fornieles Melero, was appointed as member of this Commission.

### Strategy and Technology Commission

Name	Post	Typology
Aplidig, S.L. (represented by Prof. Mr. José B. Terceiro)	Executive Chairman	Executive
Mr. José Luis Aya Abaurre	Member	External Proprietary Director
Mr. Jose Joaquín Abaurre Llorente	Member	External Proprietary Director
Mr. Ricardo Martínez Rico	Member	Independent
% of executive board members	25	
% of proprietary board members	50	
% of independent board members	25	

On January 19, 2015, Aplidig, S.L. (represented by José B. Terceiro Lomba) was replaced as chairman by Mr. José Borrell Fontelles

C.2.2 Complete the following table using the information relative to the number of female board members who have served on the Board of Directors Commissions over the past four financial years:

	Number of Female Board Members			
	Financial Year t %	Financial Year t-1 %	Financial Year t-2 %	Financial Year t-3 %
Executive Commission	NA	NA	NA	NA
Audits Commission	2 (66.66)	2(40)	2 (40)	2 (40)
Appointments and Remunerations Commission	2(66.66)	2(40)	2(40)	2(40)
Appointments Commission	NA	NA	NA	NA
Strategy and Technology Commission	0	NA	NA	NA
Remunerations Commission	NA	NA	NA	NA

**C.2.3 Indicate whether the following functions are vested in the Audit Commission:**

	Yes	No
Monitoring the preparation process and the integrity of the financial report with regards to the company and, where applicable, the group, verifying compliance with legal requirements and the correct application of accounting criteria, and appropriately specifying the scope of consolidation.	x	
Frequently assessing the internal control and risk management systems, so that the main risks are adequately identified, managed and made known.	x	
Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, re-election and removal of the head of internal audit; propose the department's budget; receive regular feedbacks on its activities; and verify that senior management is acting on the findings and recommendations of the reports.	x	
Establish and supervise a mechanism by which employees may secretly and, if necessary, anonymously, report potentially significant irregularities,	x	
especially those of financial and accounting, with potentially serious implications for the company	x	
Presenting proposals to the Board of Directors for the selection, appointment, re-selection and replacement of the external auditor, and the contracting conditions.	x	
Regularly receiving information on the audit plan and on the implementation results from the external auditor, and ensuring that the senior management takes the recommendations into account.	x	
Ensuring the independence of the external auditor	x	

**C.2.4 Describe the rules of organization and function, as well as the responsibilities attributed to each of the Commissions of the board of directors.**

**Committee name**

Appointments and Remunerations Commission

**Brief description**

To report on and propose the appointment, re-selection or dismissal of members of the Board of Directors and the International Advisory Board and their posts pursuant to the

legal and bylaw provisions and to the general policy of remunerations and incentives for them and for senior management.

To issue prior report on all proposals that the Board of Directors may submit to the general shareholders for the appointment or dismissal of board members, even in cases of co-optation by the board of directors itself.

To approve the remuneration policy for the company's senior management and for members of the Board of Directors and the International Advisory Board

To evaluate the abilities, knowledge and experience necessary on the board, defining the roles and capabilities required of the candidates to fill each vacancy, and deciding on the time and dedication necessary for them to properly perform their duties.

To examine or organize the succession of the chairman and chief executive and, if need be, to issue recommendations to the board to ensure the planned and orderly fashion of said succession;

To report on the appointments and dismissals of senior staff as proposed by the chief executive to the Board.

To report to the Board on the aspect of gender and diversity

To make the following proposals to the Board of Directors: (i) The remuneration policy for board members and senior management; ii) individual remuneration of board members and the approval of contracts that company may sign with each executive board member; (iii) The standard conditions for senior management employment contracts.

To ensure compliance with the remuneration policy set forth by the company.

To consult the company's Chairman or chief executive, especially on matters relating to executive board members and senior staff.

To analyse requests that may be issued by any Board Member for the purpose of considering potential candidates to cover Board membership vacancies.

To prepare an annual report on the activities of the Appointments and Remunerations Commission, to be included in the management report.

### Committee name

Audits Commission

### Brief description

1<sup>st</sup> In relation to the internal monitoring and reporting systems:

- › To know the process of the company's financial reporting and internal monitoring systems.
- › To report on the Annual Accounts, as well as on the quarterly and half-yearly financial statements that must be issued to the regulatory or supervisory bodies of the securities markets, with express mention of the internal control systems, verification of compliance and monitoring through internal audit and, when applicable, on the accounting criteria applied.
- › Monitoring the preparation process and the integrity of the financial report with regards to the company and, where applicable, the group, verifying compliance with legal requirements and the correct application of accounting criteria, and appropriately specifying the scope of consolidation.
- › Frequently review the systems for the internal monitoring, internal auditing and risks management, so that the main risks are identified, managed and properly disclosed.
- › Supervise and ensure the independence and effectiveness of the duties of internal audits and supervising them, with full access to said audits, propose the selection, appointment, re-selection and dismissal of heads of internal audits, propose the budget for said unit, and set the salary scale of its Director; obtain regular information on the activities and the budget of the unit; and ensure that the senior management considers the conclusions and recommendations in its reports.
- › Establish and supervise a mechanism by which staff can confidentially and, if necessary, anonymously report any irregularities detected in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the company.
- › Summon any company employee or manager, and even order them to appear before the Commission without the presence of any other senior officer.
- › Supervise compliance with the Internal Code of Conduct in relation to the Securities Market and the Policy on the Use of Relevant Information and the Rules of Corporate Governance.

› Before the Board of Directors take the relevant decisions, the Audits Commission must have informed said board on the following points:

- The financial information that all listed companies must periodically disclose. The Commission must ensure that interim statements are drawn up under the same Accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.
  - The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other comparable transactions or operations with complexities that might impair the transparency of the group.
  - Associated transactions.
  - Of any change in the accounting criteria, and any risks either on or off the balance sheet.
- › Inform the Shareholders' General Meeting on matters and questions posed by shareholders, on issues within its powers.
- › Summon any Board Members as deemed appropriate to attend Commission meetings, to report on whatsoever the Audits Commission may require thereof.
- › To prepare annual reports on the activities of the Audits Commission itself and to include it in the Management Report.

2<sup>nd</sup> In relation to external auditors:

- › To propose the selection, appointment, re-selection and replacement of external auditors, including the conditions of their hiring, to the Board of Directors to submit said proposal to the General Meeting of Shareholders for approval.
- › To regularly obtain information on the audits plan and its results from the external auditors, and on any other activities relating to the financial auditing, and to ensure that senior management act upon the recommendations.
- › To ensure the independence of the external auditor and, for that purpose:
- › The company must issue notice to the CNMV of any change of auditor as a significant event. Said notice must include a statement on any disagreements with the outgoing auditor and, if so, what it entails;



- The Commission must ensure that both company and auditor adhere to current regulations on providing services other than auditing, to the limits on the concentration of the business of the auditor and, in general, to other standards and regulations set forth to ensure the independence of auditors;
  - If an external auditor resigns the Commission must investigate the circumstances leading to the resignation.
- › Ensure that the group auditor is entrusted with conducting the audits for the individual group companies.
  - › To liaise with the external auditors in order to obtain information on any matters that could jeopardize their independence and on any other matters that may be in relation to the financial auditing process.

**Commission name**

Strategy and Technology Commission

**Brief description**

The Strategy and Technology Commission shall comprise of at least three Directors appointed by the Board of Directors. More than half of the members shall be non-executive. The term of appointment shall be four years maximum, renewable for periods of equal duration.

The duties of the Strategy and Technology Commission are:

- › To jointly analyse any basic matters relating to technology and strategy that can affect Abengoa, including the preparation or assignment of studies on products and services that constitute or may constitute Abengoa's portfolio.
- › To perform prospective analysis on the possible evolution of Abengoa's businesses based on either personal or third party technological developments.
- › To supervise Abengoa's R+D policy and investments and its strategic lines of technological development.
- › To analyse and supervise the main activities relating to technology in Abengoa, such as patent portfolio, its management, implementation of innovations, etc.
- › To gather information on the organization and people of the company, through the Chairman of Abengoa.

- › o report whatsoever information thereto that may be required thereof by the Board of Directors or its Chairman, in relation to Abengoa's strategic and technological development.
- › Any others relating to any duty of its competence that may be requested by the Board of Directors or its Chairman.

C.2.5 Indicate, as the case may be, the existence of regulations of commissions of the Board, where they can be reached for consultations and any amendments that may have been made during the financial year. Also state whether annual reports were voluntarily prepared on the activities of each commission.

**Commission name**

Appointments and Remunerations Commission

**Brief description**

The appointments remunerations commission regulations, last amended on December 16, 2013, available on the company's website and at the CNMV, prepares its own annual report on activities, which is published as part of the Annual Report.

**Commission name**

Audits Commission

**Brief description**

The audits Commission regulations, last amended on December 16, 2013, available on the company's website and at the CNMV, prepares its own annual report on activities and publishes it as part of the Annual Report.

C.2.6 Indicate whether the composition of the executive commission reflects the participation of the different categories based on their condition on the board:

Not applicable

**If no, explain the composition of the executive commission**

## D. Connected transactions and intra-group transactions

D.1 Specify the organ authorised and explain, as the case may be, the procedure for approving associate and intra-group transactions.

**Organ authorised to approve associate transactions**  
Audits Commission

**Procedures for approving associate transactions**

The Audits Commission executes the initial approving procedures. Considerations are based on market prices.

**Explain whether the approval of transactions between associate parties was assigned. If so, state the organ to which or persons to whom it was assigned.**

No

D.2 Give details of transactions deemed significant due to the amount or relevant due to the aspect between the company and companies of its group, and the significant shareholders in the company:

D.3 Give details of transactions that are significant due to amount or relevant due to the nature between the company and companies of its group, and the managers or directors of the company:

Personal or corporate name of manager or director	Personal or corporate name of associated party	Connection	Nature of the transaction	Amount (in thousand of Euros)
Felipe Benjumea Llorente	Blanca de Porres Guardiola	Spouse	Technical consultancy for the optimization of the CPA catering services	72
Ricardo Martínez Rico	Equipo Económico, S.L.	Chairman	Consultancy and strategic services rendered to Abengoa, Abengoa Concessions and Abeinsa	355

D.4 Report on the significant transactions between the company and other entities belonging to the same group provided they are not eliminated during the preparation of the consolidated financial statements and are not part of the normal company transactions with regards to its purpose and conditions.

**At any rate, report shall be issued on any intra-group transaction with entities in countries or territories classified as tax havens:**

Not applicable

D.5 Indicate the amount of the transactions with other connected parties..

Not applicable

D.6 Provide details of any mechanisms in place to detect, determine and resolve possible conflicts of interest between the company and/or its group and its Board members, executives or significant shareholders

The audits Commission is the body responsible for monitoring and resolving conflicts of interest. In accordance with the provisions of the Board of Directors Regulations, board members are obliged to inform the board of any situation of potential conflict, in advance, and to abstain thereof until the commission reaches a decision.

D.7 Is more than one company of the group listed in Spain?

No. However, Abengoa Yield, plc., a company pertaining to the Group, is listed in the US, in Nasdaq.

**Indicate whether the respective business lines and possible business relations among such companies have been publicly and precisely defined, as well as those of the listed subsidiary with the other companies in the group;**

**Define any business relations between the parent company and the listed subsidiary company, and between the latter and the other companies in the group.**

Abengoa Yield, Plc. is a subsidiary of Abengoa, S.A. in which the latter holds 51,10%.

Abengoa Yield, Plc has entered into the following agreements:

- › A ROFO agreement entered into between Abengoa Yield, Plc and Abengoa, S.A. regarding any proposed sale, transfer or other disposition of any of Abengoa's contracted renewable energy, conventional power, electric transmission or water assets in operation located mainly in the United States, Canada, Mexico, Chile, Peru, Uruguay, Brazil, Colombia and the European Union.
- › Executive services agreement (resolved on 15 January 2015) between ACSL and Abengoa Yield

- › Support services agreement between Abengoa Yield and ACSL
- › Trademark license agreement between Abengoa and Abengoa Yield.
- › Call 12% agreement between Abengoa and Abengoa Yield
- › MOU non-binding between Abengoa and Abengoa Yield.

**State the mechanisms envisaged to resolve any conflicts of interests between the listed subsidiary and the other companies in the group:**

**Mechanisms to resolve possible conflicts of interest**

Protocol for Authorizing and Supervising related Transactions between Abengoa, S.A. and Abengoa Yield plc. approved by the Board of Directors of Abengoa, S.A. based on the proposal by its Audit Commission on May, 26, 2014.

## E. Risks Management and Monitoring Systems

### E.1 Explain the scope of the company's Risks Management System.

Abengoa's risk management system is designed to mitigate all the risks to which the company may be exposed as a result of its activities. The structure of Abengoa's Risk Management is based on three pillars:

- › The Common Management Systems specifically designed to mitigate business risks.
- › Internal control procedures aimed at mitigating risks derived from the elaboration of the financial report and at improving the reliability of such report, designed in accordance with the SOX Act (Sarbanes-Oxley Act)
- › The universal risks model which is the methodology that Abengoa uses for the identification, compression and evaluation of the risks that affect the company. The purpose is to obtain an integral vision of them, designing an efficient system of response that is in line with the business goals and objectives.

These two elements form an integrated system that allows appropriate management of the risks and their mitigating controls at all the levels of the organization.

Abengoa's risks management system is a global and dynamic system. The scope of action of said system covers the entire organization and its whereabouts on a more permanent basis, and compliance with it is compulsory for all the company's employees, managers and board members.

In addition, the internal auditing unit is in charge of ensuring the compliance with and the good functioning of these systems.

### E.2 Indicate the organs of the company in charge of elaborating and executing the Risks Management System.

The duty of elaborating and executing the risks management system is basically exercised by the audits Commission specifically through internal auditor and through the risks manager.

The risks manager is in charge of analysing projects and businesses in the efforts and in aspects regarding the identification and quantification of risks of any nature.

On the other hand, the internal audits department is in charge of supervising and ensuring the correct functioning of the risks management system.

### E.3 Specify the main risks that could affect the attainment of business objectives.

In the process of identifying, compressing and evaluating the risks affecting the company, the following risks factors outlined in Form 20F, filed with the SEC on March 19, 2014, were considered:

#### General Risks

- › Abengoa operates in a sector of activity especially linked with the economic cycle.
- › Risk derived from depending on the regulations in support of activities relating to renewable energy, bioethanol production and also research- and development-related activities.
- › Solar power generation.
- › Biofuel consumption.
- › Risks derived from the sensitivity entailed in the supply of raw materials for biofuel production and the volatility of the price of the final product.
- › Risks derived from the sensitivity entailed in the supply of raw materials for recycling activities and the volatility of the price of the final product.
- › Risks derived from delays and cost overruns in activities of Engineering and construction due to the technical difficulties of the projects and the lengthy duration of their execution.
- › Risks linked to the activities of concession-type infrastructural projects operating under regulated tariffs or extremely long-term licences agreements.
- › Incomes derived from long-term agreements: risks derived from the existence of clauses and/or renewal of licence agreements processed by Abengoa, termination of pending engineering and construction projects and non-renewals of biofuel distribution agreements.
- › The variations in the cost of energy may bear negative impact on the company results.
- › Risks derived from the development, construction and exploitation of new projects.
- › Abengoa's activities may be negatively affected in the event that public support for such activities diminishes.

- › Construction projects regarding the engineering and construction activities and the facilities of concession-type infrastructural and industrial production activities are dangerous places of work.
- › Risks derived from joining hands with third parties for the execution of certain projects

#### **Risks that are specific to Abengoa**

- › Abengoa operates with enormous levels of indebtedness.
- › Risks derived from the demand for capital intensive investments in fixed assets (CAPEX), which increase the need for external finance for the execution of pending projects.
- › Risk entailed in obtaining reduced net profit derived from assets rotation
- › The company has a controlling shareholder.
- › The renewable energy sector products and services are part of a market subject to intensive conditions of competition.
- › The results of the engineering and construction activity depend significantly on the growth of the company in the concession-type infrastructural and industrial production activities.
- › Fluctuations in interest rates and their hedging may affect the results of the company
- › Fluctuations in the currency exchange rates and their hedging may affect the results of the company.

#### **Risks derived from internationalization and from country risks**

- › Abengoa's activities fall under multiple jurisdictions with various degrees of legal demands requiring the company to undertake significant efforts to ensure its compliance with them.
- › Insurance coverage underwritten by Abengoa may be insufficient to cover the risks entailed in the projects, and the costs of the insurance premiums may rise.
- › The activities of the company may be negatively affected by natural catastrophes, extreme climate conditions, unexpected geological conditions or other physical kinds of conditions, as well as by terrorist acts perpetrated in some of its locations.
- › The practices of tax evasion and product alteration on the Brazilian fuel distributions market may distort the market prices.

#### **E.4 Indicate whether the company has a risk tolerance level.**

The universal risks model is a tool used for identifying and evaluating all risks affecting Abengoa. All the risks contemplated therein are evaluated considering probability and impact indicators

#### **Based on such parameters, the risks are classified as follows:**

- › Minor risks: risks that occur frequently but bear little economic impact. These risks are managed to reduce their frequency only if managing them is economically viable.
- › Tolerable risks: risks that occur infrequently and bear little economic impact. These risks are monitored to ensure that they remain tolerable.
- › Severe risks: frequent risks that bear extremely high impact. These risks are managed immediately although, due to the risk management processes implemented by Abengoa, it is unlikely that Abengoa needs to tackle these types of risks.
- › Critical risks: risks that occur infrequently but bear extremely high economic impact. These risks have a contingency plan since, when they arise, their impact is extremely high. These risks are subject to their own contingency plan, given the severity of their impact when they occur

#### **E.5 Identify the risks that materialized during the financial year**

Abengoa endured certain risks during the 2014 financial year, the most significant of which is treated below, putting in place the pertinent multi-annual action plans to enable us to exercise control over all of them.

Energy and the environment are part of the activities in which Abengoa is engaged. This activity is performed in changing surroundings, with regulations, subsidies or tax incentives that can be changed or even legally challenged.

Some of our businesses depend on local and government regulations of industrial activities, including regulations that, among other things, enforce the reduction of carbon and other greenhouse gases and the content of biofuels in fossil fuels or the use of energy from renewable sources. Any amendment to such regulations will seriously undermine the profitability of our current and future projects, and it could also bear adverse material effects on our business, financial conditions and results.

Some subsidy regimens set up for renewable energy generation have been challenged in the past for constitutional and other types of reasons (including benefit schemes that constitute State subsidies from the European Union) in some jurisdictions.

In the event that all or part of our renewable energy generation subsidy systems and incentive schemes were to be declared illegal in any jurisdiction in which we are operating, we would have to be in conditions to efficiently compete with the non-conventional renewable and other kinds of energy or we would be unable to complete some ongoing projects. We are bound by excessive government regulations existing in a number of different jurisdictions, and our inability to comply with the existing regulations or requests or changes in the applicable regulations or requirements could bear negative impacts on our businesses, results of operations or on the financial situation and, among others, the Regulations - Spain -Solar Regulatory Framework - Royal Decree Law 413/2014, which develops the principles established by Royal Decree Law 9/2013.

Renewable energy production at our facilities is the object of various measures of tax reduction or tax incentives in the jurisdictions in which they operate. These tax incentives and reductions play important roles in the profitability of the projects that we execute. It is possible that in future part or all of said incentives may be suspended, shortened, or may not be renewed, or may even be completely cancelled. Such possibilities may negatively affect the profitability of the current plants and our ability to finance future projects, something that could bear adverse material effects on our businesses, financial conditions and results of operations.

E.6 Explain the response and supervision plan for the most threatening risks of the entity.

There is a specific action plan for each of the risks identified, which could encompass various departments of the company.

The following committees are in charge of the executive supervision of the company's main risks:

- › Risks Management Committees by Business Units.
- › Critical Projects Committees.
- › Risks Management Committees with the Executive.
- › Projects Committee
- › Special Situations Committees

## F. Internal risks monitoring and management systems in relation to the process of financial reporting (System of Internal Control over Financial Reporting) (SCIIF )

**Describe the mechanisms entailed in the risks monitoring and management system in relation to the company's financial reporting (System of Internal Control over Financial Reporting) process.**

### F.1 The control environment of the company

**Report pointing out the main characteristics of, at least:**

**F.1.1. The bodies and/or functions in charge of: (i) the existence and maintenance of an appropriate and effective SICFR; (ii) its introduction; and (iii) its supervision.**

The System of Internal Control over Financial Reporting, (hereinafter, SICFR), is part of Abengoa's general system of internal control and is set up as a system prepared to provide reasonable assurance of the reliability of financial report published. The body in charge of it, pursuant to the Regulations of Abengoa's Board of Directors, is the Board of Directors and, within it, the duty of supervision is conferred on the Audits Commission in accordance with the regulations thereof.

Thus, the Board of Directors is in charge of setting up and maintaining a compulsory Audits Commission as inferred from Article 27 of the Bylaws of the Board of Directors. Accordingly, the duties that the Board entrusts to the Audits Commission entail, in relation to the SICFR, "the supervision of the process of elaborating and integrating the financial report regarding the company and, as the case may be, the group, revising the compliance with regulatory requirements". Also, according to said article, the duties of the Board and, by delegation, the Audits Commission, include "the regular revision of internal risks monitoring and management systems, to ensure appropriate identification, management and reporting of the main risks".

**F.1.2. The following elements, if existing, especially in relation to the process of elaborating the financial report**

**Departments and/or mechanisms in charge of: (i) designing and revising the organizational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of duties and tasks; and (iii) ensuring the existence of sufficient procedures for its correct announcement through out the entity.**

As stipulated by the Board of Directors Regulations:

- It is in charge of defining the structure of the Group of companies, on the proposal of the company's chief executive, the appointment and possible dismissal of senior executives of Abengoa and other companies making up the group.
- The core components of the board's mission is to approve the company's strategy and the organization required for its execution, and to ensure that management attains the objectives while pursuing the company's interests and corporate purpose.
- Through the relevant departments, the board of directors will strive for the correct and integral announcement of the relevant information of the company including but not limited to that related to the call for the general shareholders' meeting, its agenda and contents of the proposed agreements, relevant facts, agreements signed by the last shareholders' general meeting held, the internal regulations of corporate governance and Annual Report. The media for announcing will be the most adequate for ensuring that unrestricted announcements are made and in a timely manner, including the Company's webpage.

› **Code of conduct, body of approval, degree of publication and instruction, principles and values including (indicating whether there is specific mention of the recording of transactions and the elaboration of the financial report), body in charge of analysing breaches and of proposing the correct actions and sanctions.**

At Abengoa there is a code of ethics and professional conduct approved by the board of directors and available on the Intranet in both Spanish and English, which outlines the ethical and responsible behaviour that must be assumed in the execution

of company activities and in managing the businesses, by the management team and all the professionals of Abengoa and its subsidiaries. Abengoa runs a continuous on-the-job training programme in which courses are imparted on topics of Code of Conduct. It is compulsory for all employees to attend said courses and to show proof by signing attendance sheets, and the company ensures that all Abengoa employees have learned, received and understood said information.

In 2014, 2,376,860 hours of training was imparted in the whole Group; (35,878 hours in Abengoa, S.A.); 153 employees were in attendance.

Abengoa's Code of Conduct::

- The highest standards of honesty and ethical behaviour, including appropriate and ethical procedures for dealing with actual or possible conflicts of interests between professional and personal relationships.
- The most complete, just, precise, timely and intelligible communication in all periodical reports that Abengoa must submit to the organs of Administration or in all reports that may be made.
- Compliance with the applicable laws, standards, rules and regulations.
- The tackling of actual or possible conflicts of interests and the provision of orientation to ensure that employees, managers and board members report such conflicts to Abengoa.
- The interruption of the poor use or poor application of Abengoa's properties and business opportunities.
- The maximum level of confidentiality and fair trade in and outside Abengoa.
- The immediate internal reporting of any breach of said Code of Conduct and the appropriate reporting of all illegal behaviours.

All information made public and all media releases deemed to be affecting Abengoa must first be approved by the board of directors or by the manager who may have been previously entrusted with performing such duty.

Its appropriate follow-up is a source of profitability and security in the execution of the activities of Abengoa. Said regulations ensure the veracity and reliability of the financial report.

The Board of Directors is in charge of, and, by virtue thereof, its Chairman, Commissions set up, delegated commissions or, as the case may be, Managers entrusted therewith, the classification of the breaches of the Common Management Systems.

**Whistleblowing channel, which enables reporting of irregularities of financial and accounting nature to the audits commission, in addition to possible breaches of the code of conduct and irregular activities in the organization. The reports may be filed in secrecy or anonymity.**

An important aspect of responsibility and transparency is to provide a mechanism by which any interested party may safely and secretly report irregularities, unethical or illegal conducts that, in his/her opinion, occur in the execution of the Company's activities.

In this manner and following the guidelines provided in section 301 of the Sarbanes-Oxley Act, the Audits Commission decided to establish specific procedures for:

- The reception, safeguard and treatment of complaints or reports that the company may receive in relation to the accounting, internal monitoring of the accounting or auditing matters.
- Employees of the company to be able to secretly or anonymously send information in good faith on the dubious or arguable policies of accounting and auditing.

Towards that end, Abengoa has a double mechanism for receiving complaints or reports:

- An internal channel, which is available to all employees, so that they can notify any alleged irregularity in accounting or audits or breaches of the code of conduct. The communication channel is by e-mail or ordinary mail.
- An external channel, available to anyone outside the company, so that they can notify any alleged irregularities, fraudulent actions or breaches of Abengoa's Code of Conduct through the web page ([www.abengoa.com](http://www.abengoa.com)).



- › **Training programs and regular updates for the personnel involved in the preparation and revision of the financial report, as well as in the evaluation of the System of Internal Control over Financial Reporting, which should at least cover accounting regulations, auditing, internal risks monitoring and management.**

The Human Resources Management works together with the Economic-Financial Management to impart regular training, both internally and externally, to the personnel involved in the preparation of the Financial Statements of the Group.

The training programs are fundamentally focused on the correct knowledge and update on the International Financial Reporting Standards (IFRS) and on the laws and other rules and regulations on the Internal Control over Financial Reporting (Common Management Systems).

Both the Internal Audits Management and the Global Risks Management keep themselves informed and up-to-date on the latest on Risks management and Internal Control, especially on Financial Reporting.

During the 2014 financial year, the Departments related with the preparation, revision and reporting of financial information received various publications as updates to the accounting and financial standards, internal control and tax, including courses by internal experts in relation to the updating of accounting standards.

## F.2 Financial Reporting Risk Assessment

At least reporting the following:

**F.2.1. Describe the main characteristics of the risks identification process, including those of error or fraud, with regards to:**

**If the process does exist and is documented.**

Abengoa has introduced a process for identifying and evaluating risks: the Universal Risks Model which is updated on regular basis. Said model enumerates the risks identified by the organization, classified into categories and sub-categories, assign indicators to each to enable them to measure their probability and impact and to define the degree to which they may be tolerated.

And finally, the types of risks related with the accounting and the submission of the financial report, the management of debt and equity financing, planning and budgeting and the tax strategy of transactions:

**Indicate whether the process covers the entire objectives of the financial reporting, (existence and occurrence; integrity; evaluation; presentation, breakdown and comparability; and rights and obligations), and whether it is updated and at what frequency.**

The URM is designed to cover all risks that are identified. Among them, a series of them that refer to the preparation and submission of the financial report, accounting records, the management of debt and equity financing, planning and budgeting and the tax strategy of transactions:

Identified risks are covered and mitigated by Abengoa's internal monitoring system. All risks previously linked with the process by which the financial information is prepared are under control such that it may be guaranteed that the financial information appropriately adheres to the requirements of existence, occurrence, integrity, evaluation, presentation, breakdown and comparability.

**Indicate whether there is a process for identifying the consolidation perimeter, considering, among other things, the possible existence of complex corporate structures, instrumental or special purpose entities.**

The consolidation perimeter of Abengoa is subjected to revisions during each quarterly closing. The Consolidation department is in charge of analysing companies that enter and those that exit said perimeter. Both the creation and acquisition of companies, as well as their sale or dissolution, are subject to internal authorization processes that permit the clear identification of all entries and exits to and from the consolidation perimeter.

**Indicate whether the process considers the effects of other types of risks (operational, technological, financial, legal, reputation, environmental, etc.) in the manner in which they affect the financial statements.**

As already mentioned, the URM is the methodology for the identification, comprehension and evaluation of the risks that may affect Abengoa. The purpose is to obtain an integral vision of them, designing an efficient system of response that is in line with the business goals and objectives of the company.

It is made up of 56 risks belonging to 20 categories. These are grouped into 4 large areas (financial risks, strategic risks, regulatory risks and operational risks).

All the risks of the model are evaluated based on two criteria:

- › Occurrence Probability: Degree of frequency at which to be sure that a specific cause will expose Abengoa to an event with negative impact.
- › Impact on Entity: Set of negative effects on the strategic goals and objectives of Abengoa.

### Which corporate governance body supervises the process?

The financial information preparation process is paramount responsibility of the Board of Administration. Pursuant to the regulations of the organ of administration, prior to the presentation of the financial information, it must first be certified by the Chairman of the Board and of the Corporate Directors of the department of Consolidation and Internal Auditing.

Likewise, as set forth in section F.5 of this document, the Board of Directors entrusts the Audits Commission with the duties of supervising the system of internal control and monitoring which ensures that the preparation of the financial information strictly follows the required standards.

### F.3 Control Activities

Give a report pointing out the main characteristics, and indicate whether the following is at least included:

**F.3.1. Procedures for reviewing and authorizing the financial reporting and the description of the System of Internal Control over Financial Reporting, to be published at the stock market, indicating responsibilities, as well as the documents describing the cash flows of activities and controls (even in connection with fraud risks) of the various types of transactions that could materially affect the financial statements, including the accounting closure proceedings and the specific revision of the judgements, estimates, evaluations and relevant projections.**

In accordance with the Board of Directors Regulations, the integrity and exactitude of the Annual Accounts presented to the Board of Directors for approval must first be certified

by the Chairman of the Board of Directors and by the Director of the Department of Corporate Consolidation and Audits.

When the Board of Directors receives the reports issued by the Corporate General Directorate and obtains the necessary clarifications, it must clearly and precisely declare that the contents of the Annual Accounts and the Management Report can be easily understood.

The Board of Directors must ensure that that said documents depict the true state of the asset, the financial statement and the profit and loss outcome of the company, in conformity with the stipulations of the Law.

Thus, the Board of Directors will decide on and take as many actions and measures deemed necessary to ensure the Company's transparency on financial markets, promoting correct information on the prices of the Company's shares, supervising financial-related information regularly made public and performing as many duties as may be required of the company's status as a listed company.

The process or structure effectively followed in certifying the financial report, done on quarterly basis, reflects the manner in which financial report is generated at Abengoa.

In said structure, the information to be reported is prepared by company heads, then revised by heads of the respective Business Units and by the respective Corporate areas heads who certify both the reliability of the financial report on the area under their charge –which is what they submit for consolidation at group level- as well as the effectiveness of the internal control system set up to reasonably ensure said reliability. Finally, the chairman and CEO, as the Topmost executive, and the directors of Internal Audits and Corporate Consolidation certify the reliability of the consolidated accounts to the Board of Directors in the quarterly Audits Commission. With the support of the Internal Audits management, said Commission supervises the entire certification process, and then submits its conclusions from said analysis to the Board of Directors in the sessions in which the accounts will be officially signed. The information will then be published at the National Securities Exchange Commission (CNMV) once submitted to the Commission.

The legal consultants department of Abengoa SA meet regularly in committees with the different legal consultants of the various subsidiaries of Abengoa to be informed of the legal situations of ongoing litigations and later report to the Chairman's office where subsequent discussions are held during the Board of Directors meetings on the situations of the most significant conflicts.

F.3.2. Policies and procedures of internal control of information systems (especially on safety and security of access, monitoring of changes, operating them, operational continuity and separation of functions) that back the entity's relevant processes with regards to the elaboration and publication of the financial report

Among the controls studied for mitigating or managing the risks of error in financial reporting are those related to the most relevant computer applications, like controls relating to user access permissions or to the integrity of information transfer between applications.

In addition, Abengoa follows guidelines or standards and procedures of internal control over information systems in relation to acquiring and developing software, acquiring systems infrastructure, installing and testing software, managing changes, managing service levels, managing services performed by third parties, systems security and access to them, managing incidents, managing operations, the continuity of operations and the segregation of functions. Said guidelines and procedures -which in some cases are different based on geographical scope and which are in the process of gradual homogenization- are applied to all information systems including those that house the relevant processes of the generation of financial report, and to the infrastructure necessary for its functioning.

In geographies where Abengoa operates, the entire internal network of computer infrastructure is controlled by a Department of internal professionals who are charged with defining and executing the group's IT and telecommunications strategy, as well as user support, systems operation and IT security. Abengoa has an Internet Technology (IT) security system in place that envisages the recovery of relevant information in the event of a system crash. Said security system is managed through the aforementioned internal IT Department.

F.3.3. Policies and procedures of internal control aimed at supervising the management of activities sourced out to third parties, including the aspects of evaluation, calculation or assessment entrusted to independent experts, which could materially affect the financial statements.

In general terms, Abengoa does not retain third party subcontractors to perform significant tasks that directly affect financial reporting. Third-party assigned assessments, evaluations or calculations that could materially affect the financial statements are considered activities deemed relevant for generating financial report that may lead, as the case may be, to the identification of risks of priority errors, thus implying the designing of associated internal controls.

Abengoa has a method of approval through an authorization that grants Executive support which, among other things, must be acquired by the Department that needs to outsource a service. Such contracts are subject to reviews before being signed, including their analysis and internal approval of the fundamental hypothesis to be used.

#### F.4 Information and communication

**Give a report pointing out the main characteristics, and indicate whether the following is at least included:**

F.4.1. A specific function entrusted with defining, continuously updating accounting policies (area or department of accounting policies) and resolving doubts and conflicts derived from their interpretation, maintaining constant communication with those in charge of the transactions in the organization, continuously updating the manual of the accounting policies and reporting to the units through which the entity operates.

Abengoa operates with an Accounting Policies Manual. Said manual establishes the accounting policies criteria that must be observed when the company is preparing the financial report using the financial reporting framework established by the International Financial Reporting Standards adopted by the European Union.

The manual is available to all employees of Abengoa.

Said manual, is also subject to regular updates for the purpose of including all new applicable rules and regulations. The department of Consolidations and Accounting

Policies is responsible for updating the manual which was last updated during the 2014 financial year.

**F.4.2. Mecanismos de captura y preparación de la información financiera con formatos homogéneos, de aplicación y utilización por todas las unidades de la entidad o del grupo, que soporten los estados financieros principales y las notas, así como la información que se detalle sobre el SCII**

All the entities that make up Abengoa's consolidated group use the same financial information reporting tools and applications, regardless of the information system being used for the maintenance of the accounting records. Said tools, which are regularly supervised by the Consolidation Department, ensure that the financial information reported by companies is complete, reliable and consistent. Thus, the information reported during the closing of financial years includes all breakdowns deemed necessary for the preparation of consolidated financial statements and their explanatory notes.

**F.5 Supervisión del funcionamiento del sistema**

**Give a report pointing out the main characteristics of at least:**

**F.5.1. the activities of supervising the System of Internal Control over Financial Reporting performed by the audits commission, and on whether the entity has an internal audits system that is empowered to support the commission in supervising the internal control system, including the SICFR. Also provide information on the scope of the assessment of the SICFR during the financial year and on the process by which the head of the assessment reports the results, whether the entity has an action plan that outlines the possible corrective measures, and whether its impact on the financial reporting has been considered.**

The Board of Directors is in charge of ensuring the appropriate registration of the operations in the accounting records, of maintaining a structure of internal control and accounting for the purpose of preventing and detecting errors and irregularities. In accordance with the Board of Directors Regulations, the Audits Commission is entrusted with the following duties:

- › To report on the Annual Accounts, as well as on the quarterly and half-yearly financial statements that must be issued to the regulatory or supervisory bodies of the securities markets, with express mention of the internal control systems, verification

of compliance and monitoring through internal audits and, when applicable, on the accounting criteria applied.

- › To supervise the preparation process and the integrity of the financial report on the company and, if applicable, the group, and to verify compliance with regulatory requirements, the appropriate boundaries of the scope of consolidation and the correct application of Accounting principles.
- › Frequently review the systems for the internal monitoring and risks management, so that the main risks are identified, managed and properly disclosed.
- › Supervise and ensure the independence and effectiveness of the duties of internal audits and supervising them, with full access to said audits, propose the selection, appointment, re-selection and dismissal of heads of internal audits, propose the budget for said unit, and set the salary scale of its Director; obtain regular information on the activities and the budget of the unit; and ensure that the senior management considers the conclusions and recommendations in its reports.

The Audits Commission's functions include the supervision of the internal audits service and obtaining information on the financial reporting process, the internal control systems and on the risks for the company.

On the other hand, with regards to the supervision of the internal controls system, the goals of the duty of internal audits are as follows:

- › To prevent the group companies, projects and activities from exposure to audits risks such as fraud, capital losses, operational inefficiencies and, in general, any risks that may affect the healthy running of the business.
- › To ensure the continuous application of the standards, appropriate procedures and efficient management in accordance with the Common Management Systems.

**The Internal Audits Department of Abengoa**

The internal audits service originated as an independent global function, reporting to the Audits Commission of the board of directors, with the principal objective of supervising Abengoa's internal monitoring and significant risk management systems.

Abengoa's internal audit service is structured around seven functional areas:

- › Internal control
- › Financial Audit

- › Project Audit
- › Monitoring Audit of specific risks
- › Fraud Prevention Audit
- › Non-Financial Audit
- › Systems Audit

The team of internal auditors comprises of 56 professionals. The following are the characteristics of the team:

- › The average age of an internal auditor in Abengoa is currently at approximately 31 yrs
- › The male and female percentage is 60% and 40% respectively.
- › Professional experience averages around 7 years.
- › Approximately 70% of the auditors have previous experiences from one of the Big4 external auditing firms.

The general goals of internal auditing are as follows:

- › To prevent the group companies, projects and activities from exposure to audits risks such as fraud, capital losses, operational inefficiencies and, in general, any risks that may affect the healthy running of the business.
- › To ensure the continuous application of the standards, appropriate procedures and efficient management in accordance with the Common Management Systems.
- › To create value for Abengoa and its business units, promoting the construction and maintenance of synergies and the monitoring of optimal management practices.
- › To coordinate work criteria and approach with the external auditors, seeking the most efficiency and profitability of both functions.
- › Analysis and processing of the complaints received through whistle-blowing and reporting the conclusions of the work performed to the Audit Commission.
- › To evaluate the companies' audit risk following an objective procedure.
- › To develop Work Plans using scopes that is convenient for each different situation.

Abengoa's internal auditor services are in line with the international standards for the professional practice of internal auditing, of the Institute of Internal Audit (IIA).

Likewise, Abengoa is a member of ACFE Corporate Alliance as of fiscal year 2014. This association helps companies with tools and specific formation focused on the fight against fraud and corruption, as well as resources to obtain the CFE (Certified Fraud Examiner) certification for internal auditors assigned to this area.

F.5.2. Indicate whether there is a discussion procedure by which, (in accordance with the stipulations of the NTA), the accounts auditor, the internal audits' office and all the other experts, may inform the entity's senior management, its audits Commission and its directors, on the significant weaknesses identified in the internal control during the revision of the financial statements or of all other documents entrusted to them. Also report whether there is an action plan for correcting or mitigating the weaknesses uncovered.

The Internal Audits' office regularly informs the senior management and audits Commission on the weaknesses identified in internal control in revisions performed on the processes during the financial year, and on the introduction of the action plans put in place to ensure the mitigation of said weaknesses.

On the other hand, the accounts auditor of the group retains direct access to the group's senior management, holding regular meetings both to obtain the information necessary for the execution of its duties as well as to report on the weaknesses detected in (internal) control during the auditing. The external auditors will issue the economic-financial director and the audits Commission an annual report detailing the weaknesses it detected in the internal control while performing its duties.

## F.6 Other information of interest

The external auditors issued five (7) reports during the 2014 financial year. They are integrated into the Annual Report:

- › Audit report on the Group's consolidated financial statements, as required by the Laws in vigour.
- › Audit report on internal audit compliance under PCAOB (Public Company Accounting Oversight Board) standards, as required under section 404 of the Sarbanes-Oxley Act (SOX)
- › Voluntary reasonable assurance audit report on the Corporate Governance Report, being the first Spanish listed company to obtain a report of this nature.
- › Voluntary reasonable assurance audit report on the Corporate Social Responsibility Report.
- › Voluntary audit report on the design of the Risk Management System following the ISO 31000 Standards and Specifications.

- › Voluntary report on the verification of the design and application of the anticorruption compliance system
- › Reasonable ensuring verification report on the assignment of funds of the Green Bond and its adequate assignment to the category of eligible green projects.

## F.7. Report from the External Auditor

### Issue report on:

**F.7.1. whether the external auditor revised the SICFR information issued to the markets and, if so, the entity must include the corresponding report as annex but, if not, it must provide the reasons.**

Abengoa applies all the rules and regulations dictated by the (CNMV) Stock Market Authorities. This fact implies that for the past five financial years Abengoa has been strictly complying with the reference indicators included in the document of the CNMV's "Systems of Internal Control over Financial Reporting.

Since 2007 and mandatorily as of 2014, Abengoa has voluntarily submitted its Internal Control Systems to an external evaluation that concludes with the issuance of an audit opinion under the PCAOB standards, and to audits to ascertain compliance with section 404 of the Sarbanes-Oxley Act (SOX).

The auditor of the individual and consolidated annual financial statements of Abengoa, for the financial year ending December 31, 2014, is Deloitte S.L. which is also the Group's main auditor.

## G. Degree to which corporate governance recommendations are followed

Indicate the degree to which the company follows the recommendations of the Unified Good Governance Code.

In the event that a recommendation is not or is only partially followed, the entity should include detailed explanation of its reasons such that the shareholders, investors and the market in general, are provided with sufficient information to assess the performance of the company. Explanations of general nature shall not be acceptable

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

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

Compliant

- › **2. If a parent and a subsidiary company are listed, both should provide detailed disclosure on:**

- **Their respective types of activities, and any business dealings between them, including between the listed subsidiary and other companies in the group;**
- **The mechanisms in place to resolve possible conflicts of interest.**

See sections: D.4 and D.7

Compliant

› **3. That even when not expressly required under Commercial Law, all decisions involving fundamental corporate restructuring, especially the following, are submitted to the General Shareholders' Meeting for approval or ratification:**

- **The transformation of listed companies into holding companies through the process of "subsidiarisation", i.e. reallocating previous core activities of such company to subsidiaries, even if the latter may retain full control of the former;**
- **Any acquisition or transfer of key operating assets that would effectively alter the company's corporate purpose;**
- **Operations that effectively amount to the company's liquidation.**

See section: B.6

Partially compliant

The company has not incorporated this regulation into its internal rules (bylaws) as a provision, which does not prevent compliance thereof in practice with said Recommendation.

› **4. Detailed proposals of the resolutions to be adopted at the General Meeting of Shareholders, including the information stated in recommendation 28, should be made available at the same time the meeting is convened.**

Compliant

› **5. Substantially independent issues should be voted separately at the General Meeting of Shareholders, in order for shareholders to be able to exercise their voting preferences separately. And that said rule applies, particularly:**

- **To the appointment or ratification of directors, with separate voting on each candidate;**
- **To amendments to the bylaws, with votes taken on all materially different articles or groups of articles.**

Compliant

› **6. Companies should allow split votes, so that financial intermediaries acting as nominees on behalf of various clients can issue their votes according to instructions.**

Compliant

› **7. The board of directors should perform its duties with unity of purpose and criteria independence, giving all the shareholders the same treatment, allowing itself to be guided only by the company's interests, which means striving to maximise its economic value in a sustainable manner.**

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; performing its obligations and contracts in good faith; respecting the customs and good practices of the sectors and territories in which it operates; and upholding any additional social responsibility principles to which it may have voluntarily subscribed.

Compliant

› **8. The core components of the board's mission should be to approve the company's strategy and the organization required for its execution, and to ensure that management attains the objectives while pursuing the company's interests and corporate purpose. As such, the board in fully reserves the right to approve:**

- **The company's general policies and strategies, and in particular**
  - **The strategic or business plan, management targets and annual budgets;**
  - **Investment and financing policy;**
  - **Design of the structure of the corporate group;**
  - **Corporate governance policy;**
  - **Corporate social responsibility policy;**
  - **Senior staff performance remuneration and evaluation policy;**
  - **Risk control and management policy, and the regular monitoring of internal information and control systems**
  - **Dividend and treasury stock policies and especially their limits.**

See sections: C.1.14, C.1.16 and E2

Compliant

- **The following decisions:**
  - **On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.**
  - **Remuneration of board members, including, in the case of executive members, the additional considerations for their executive duties and other contract conditions.**
  - **The financial information that all listed companies must periodically disclose.**
  - **All kinds of investments or operations deemed strategic due to their huge amount or special characteristics, except if they require the approval of the General Meeting of Shareholders.**
  - **The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other comparable transactions or operations with complexities that might impair the transparency of the group.**
- **Transactions which the company conducts with board members, significant shareholders, shareholders with board representation or with other associated persons ("associated transactions").**

**However, board authorization need not be required for associate transactions that simultaneously meet the following three conditions:**

- **They are governed by standardized agreements that are applied on across-the-board bases to large numbers of clients;**
- **They go through at market rates, generally set by the person supplying the goods or services;**
- **Their amount is no more than 1% of the company's annual revenues.**

**It is advisable that the Board approves associate transactions only if the audits commission or, as the case may be, any other commission assigned to that function, issues a favourable report; and that the board members involved may neither exercise nor delegate their voting rights, and should be excused from the meeting while the board deliberates and votes.**

**We also recommend that the aforementioned powers remain absolutely non-delegable with the exception of those mentioned in b) and c), which may be delegated to the executive committee in urgent cases and later ratified by the plenary session of the Board of Directors.**

See sections: D.1 and D.6

Compliant

- › **9. In the interests of maximum effectiveness and participation, the board of directors should ideally consist of no fewer than five and no more than fifteen members.**

See section: C.1.2

Partially compliant

At present the Board of Directors is comprised of sixteen (16) members in total although the fact is that said increase is as a result of the appointment of a new independent board member and such fact does not hinder the good and effective development of the sessions.

- › **10. External proprietary and independent board members should occupy an ample majority of board places, while the number of executive board members should be the minimum necessary bearing in mind the complexity of the corporate group and the percentage of ownership the executive board members hold in the equity.**

See sections A.3. and C.1.3

Compliant



- › **11. That among the external board members, the relation between proprietary and independent members should match the proportion between the capital represented on the board by proprietary board members and the rest of the company's capital.**

**This strict proportionality criterion could be relaxed to grant proprietary board members greater say than would otherwise correspond to the total percentage of capital represented:**

- **In companies with huge capital where few or no equity stakes attain the legal threshold of significant shareholdings, but where there are shareholders with considerable sums actually invested;**
- **2<sup>nd</sup> In companies with multiple but otherwise unrelated shareholders represented on the board.**

See sections: A.2., A.3 and C.1.3

#### **Explain**

Abengoa increased the number of proprietary board members on its board due to an investment agreement signed with First Reserve Corporation, on November 4, 2011.

Claudi Santiago Ponsa was appointed board member of Abengoa on the request of First Reserve Corporation by virtue of the agreement reached with Inversión Corporativa on November 9, 2011, in their capacity as shareholders of Abengoa, within the framework of the investment agreement signed between Abengoa and First Reserve Corporation, aforementioned, relating to the proposal, appointment, ratification, re-selection or replacement of a board member to represent First Reserve Corporation, of which this Commission was notified.

Notwithstanding the foregoing, the Company has also increased the number of independent directors with the appointment of Mr. Ricardo Hausmann and, more recently, Mr. Antonio Fornieles Melero.

- › **12. The number of independent members should represent at least one third of all board members.**

See section: C1.3

#### **Explain**

Contrary to what the company has always done until now, complying with the recommendations of corporate good governance, the number of independent board members decreased to less than a third of the total of board members due to the appointment of Mr. Claudio Santiago Ponsa as proprietary board member by virtue of the agreement signed with Inversión Corporativa on November 9, 2011, in the capacity as shareholders of Abengoa, and in spite of the appointment of Mr. Ricardo Hausmann as independent board member.

However, after financial close, Mr. Antonio Fornieles Melero has been appointed independent director, which elevates the number of independent directors again to one third of the total directors.

- › **13. The condition of each board member should be explained at the general meeting of shareholders, which shall execute or ratify its appointment, with confirmation or, as the case may be, review in the Annual Corporate Governance Report, before verification by the appointments commission, and that said report should also disclose the reasons for appointing proprietary members at the urging of shareholders with less than 5% of the capital, explaining any rejections of formal requests for a place on the Board of Directors issued by shareholders with capital equal to or greater than that of others whose requests for proprietary members may have been accepted.**

See sections: C.1.3 and C.1.8

Compliant

- › **14. In the event that female board members are few or non existent, the Board should state the reasons for this situation and the correction measures implemented; in particular, the Appointments Commission should take steps to ensure that:**

- the process of filling board vacancies has no implicit bias against female candidates;
- the company makes a conscious effort to include females in the target profile among the candidates for board places.

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4

Compliant

- › **15. The Chairman, as the person responsible for the proper operation of the board, should ensure that members are supplied with sufficient information in advance of board meetings, and should encourage debates and the active involvement of all members, safeguarding their rights to freely express opinions and take stands; he should organise and coordinate regular assessments of the board and, if appropriate, the company's chief executive, along with the chairmen of the relevant board commissions.**

See sections: C.1.19 and C.1.41

Compliant

- › **16. In the event that the board chairman is also the company's chief executive, an independent board member should be empowered to convene board meetings or to include new items on the agenda; to coordinate and voice the concerns of external board members; and to lead the board's evaluation of its chairman.**

See section: C.1.22

### Explain

There are currently sixteen members on the board of directors. The Board of Directors Regulations governs the composition, functions and internal organization of the governing body. The company also has an Internal Code of Conduct that bounds the board of directors, the senior management and all other employees deemed affected, by virtue of the positions or powers that may be held in matters relating to the Stock Market. The General Meetings of the Shareholders Regulations governs the formal aspects and the

internal system for holding shareholders' meetings. Lastly, the board of directors is assisted by its audits commission and the appointments and remunerations commission, both of which have their own respective internal regulations. All the rules and regulations, set forth in the consolidated text of the company's Internal Good Governance Rules, are available on the company's website at [www.abengoa.es](http://www.abengoa.es) and [www.abengoa.com](http://www.abengoa.com). Since it was formed, the appointments and remunerations commission has been analysing the structure of the company's governing body and adapting it to the recommendations of corporate governance, especially to the historic and special configuration of said bodies within Abengoa. In February 2007, based on this analysis, the commission recommended the creation of the post of Lead Director, and the elimination of the Board of Directors' Advisory Board. The first measure, to put in place the most recent corporate governance recommendations made in Spain in 2006; the second, because it was deemed that said Advisory Board had already performed the duty for which it was originally created and that its coexistence with the corporate bodies could lead to conflicts of power. Both proposals were approved by the Board of Directors in February 2007 and at the General Meeting of Shareholders on April 15 of the same year and Prof. Mr José B. Terceiro, representing Aplidig S.L., was appointed coordinating board member, in his capacity as independent, on that date.

On a final note, in October 2007 the commission proposed that the board should accept the resignation of Mr. Javier Benjumea Llórente from his post as Deputy Chairman and should also revoke his delegated powers, and should likewise accept the appointment of a new natural person to represent Abengoa and Focus-Abengoa Foundation in entities or companies where representation is required.

The commission then decided to revisit the study of the number and characteristics of the Deputy Chairman of the board of directors within the current structure of governing bodies.

As a result, the commission deemed it necessary to restrict the powers of the Deputy Chairman of Abengoa to those conferred under the Spanish Corporate Law as regard the organic representation of the company on the one hand, and as balance to the Chairman's functions on the board of directors, on the other. Thus, it was considered that the coordinating board member – with the functions assigned by the resolutions of the board of directors (February 2007) and the general meeting of shareholders (April 2007) – was the ideal figure, given the corporate governance recommendations and the company structure, as well as the composition and diversity of its directors. The coordinating board member has already been entrusted with the task of coordinating the concerns and

motivations of the other board members, and empowered to convene board meetings and to include new items on the agenda. In its role as the visible protector of the interests of the Board members, it holds more of a de facto than of a de jure kind of representation on the Board, such that it seemed appropriate to confirm and expand this representation by making the post both institutional and organic.

For the reasons outlined above, the commission proposed Aplidig, S.L. (Aplidig, represented by Prof José B. Terceiro Lomba), the then Lead Director, as the new Executive Deputy Chairman to the Board of Directors. In addition, and within the functions of organic representation, the executive deputy chairman, jointly with the chairman of the board of directors, has been put forward as the physical representative of Abengoa, in its capacity as the Chair of the Board of the Focus-Abengoa Foundation, as well as in any other foundations and institutions in which the company is or should be represented.

In view of the above, on December 10, 2007, the board of directors agreed to appoint Aplidig, S.L. (represented by Prof José B. Terceiro Lomba), the then Lead Director, as Executive Deputy Chairman of the Board of Directors, and the independent board members unanimously consented that he retains the post of coordinating board member in spite of the new appointment as Executive Deputy Chairman.

In addition, and within the functions of organic representation (conferred through a power of attorney granted by the board of directors on July 23, 2007), the Executive Deputy Chairman, together with the Chairman of the Board of Directors, was proposed as joint physical representative of Abengoa, in its capacity as the Chair of the Board of Focus-Abengoa Foundation, and of any other foundations and institutions in which the company is or should be represented.

Notwithstanding the above, as indicated, on January 19, 2015, Aplidig S.L. (Prof. Mr. José B. Terceiro) was replaced by Mr. Antonio Fornieles Melero as Lead Independent Director and Second Vice-chairman.

- › **17. Report whether the board secretary ensures that the board's actions:**
  - **adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;**
  - **are in conformity with the company Bylaws and the Regulations of shareholder Meetings, the Board of Directors and any others in the**

**company;**

- **comply with the recommendations on good governance set forth in the Unified Code that the company may have accepted.**

And that in order to safeguard the independence, impartiality and professionalism of the secretary, its appointment and termination is proposed by the appointments commission and approved by the plenary session of the board of directors; and whether said appointment and termination procedure is included in the Regulations of the board of directors.

See section: C.1.34

Compliant

- › **18. The board should meet with the necessary frequency to properly perform its functions, following a calendar and a programme scheduled at the beginning of the year, to which each board member may propose the addition of other items.**

See section: C.1.34

Compliant

- › **19. The absences of board members should be reduced to the bare minimum and quantified in the Annual Corporate Governance Report. If board members have no choice but to delegate their votes, such delegation should be with instructions.**

See sections: C.1.28, C.1.29 and C.1.30

Compliant

- › **20. If board members or the secretary express concerns about a proposal or, in the case of board members, about the company's performance, and such concerns are not resolved at the Board meeting, the person expressing the concerns may request that the concerns be recorded in the minute book.**

Compliant

- › **21. The plenary session of the board should evaluate the following once a year:**
  - The quality and efficiency of the board's operation;
  - The level of performance of the company's chairman and chief executive based on the report that may be submitted by the appointments commission;
  - The performance of commissions based on reports that they provide.

See sections: C.1.19 and C.1.20

Compliant

- › **22. All board members may act on the rights to obtain additional information deemed necessary on matters within the board's powers, and unless the bylaws or the board regulations indicate otherwise, the requests for such shall be addressed to the board chairman or secretary.**

See section: C.1.41

Compliant

- › **23. All board members should be entitled to call on the company for the required advice and guidance necessary for the performance of their duties. The company should provide the suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.**

See section: C.1.40

Compliant

- › **24. Companies should set up orientation programmes that may provide new board members with quick and sufficient knowledge of the company and its corporate governance rules and regulations. Companies should make knowledge updating programs available to board members whenever the circumstances deem it advisable.**

Compliant

- › **25. Companies should insist that board members devote sufficient time and effort to perform their duties effectively, and, as such:**
  - board members should apprise the appointments commission of any other professional obligations that could possible interfere with the dedication required from them;
  - and that companies should establish rules about the number of boards on which their board members can sit.

See sections: C.1.12, C.1.13 and C.1.17

Compliant

- › **26. The board should first approve any proposal submitted to the shareholders' general meeting for the appointment or renewal of board members, including provisional appointments by co-optation:**
  - On the proposal of the appointments commission, in the case of independent board members.
  - Subject to report from the appointments commission in all other cases.

See sections: C.1.3 and C.1.1.19

Compliant

- › **27. Companies should post the following information on the board members on their websites, and keep them permanently updated:**
  - Professional experience and background;
  - Other boards on which board member sits, whether listed company or not;
  - Indicate the category of the board member, pointing out, in the case of proprietary members, which shareholder they represent or to whom they are linked.
  - The date of their first and subsequent appointments as a members of company's board of directors, and;

- **Shares held in the company and whether said shares are subject to any options.**

Compliant

- › **28. Proprietary board members should resign if the shareholders they represent entirely dispose of such shares, and should also resign if such shareholders reduce their stakes, thus losing the corresponding entitlement to proprietary board membership.**

See sections: A.2. A.3 and C.1.2

Compliant

- › **29. The board of directors should not propose the removal of independent board members before their tenure expires as mandated by the bylaws, except in the event of just cause, deemed by the board, after the Appointments Commission issues a report. Specifically, just cause shall be understood as board member acting in breach of his/her fiduciary duties or incurring in any of the circumstances that may lead to his/her losing the condition of independent, pursuant to the stipulations of Order ECC/461/2013.**

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in recommendation 11.

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

Compliant

- › **30. Companies should establish rules obliging board members to report of and, as the case may be, to resign in any circumstance that might damage the company's name or reputation and, in particular, obliging them to inform the Board of Directors of all criminal cases in which they may be named as accused and the progress of any subsequent trials.**

Upon the indictment or trial of any director for any of the crimes outlined in Article 124 of the Spanish Corporate Law, the board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the annual corporate governance report.

See sections: C.1.42 and C.1.43

Compliant

- › **31. All board members should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independent and other board members unaffected by the possible conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.**

In the event that the board takes significant or reiterated decisions against which a board member may have expressed serious reservations, said board member set out the pertinent conclusions and, if he/she decides to resign, he/she should explain the reasons in the letter referred to in the next recommendation.

The terms of this recommendation also applies to the board secretary although not officially a board member.

Compliant

- › **32. Board members who give up their position before their tenure expires, by resignation or otherwise, should state the reasons in a letter remitted to all board members. Regardless of whether such resignation is filed as a significant event, the reason must be explained in the annual corporate governance report.**

See section: C.1.9

Compliant

- › **33. Executive board members should be remunerated in portions of the shares of the company or of companies of the group, share options or other share-based instruments, variable remunerations linked to the company's performance or forecast systems.**

This recommendation shall not include the allocation of shares if board members are obliged to retain them until the end of their tenure.

Compliant

- › **34. The remuneration of external board members should sufficiently compensate for the dedication, abilities and responsibilities that the post entails, but not to the extent of compromising their independence.**

Compliant

**35. Remuneration linked to company earnings should consider the possible deductions reflected in the external auditor's report and should reduce said results.**

Compliant

- › **36. In the case of variable compensations, remuneration policies should include the technical safeguards necessary to ensure that such remunerations reflect the professional performance of the beneficiaries and not simply the general progress of the markets or of the company's sector, or of similar circumstances.**

Compliant

- › **37. In the event that the company has an Executive Committee, the structure of shares of the different categories of members should be similar to that of the Board itself, and its secretary should be like that of the board.**

See sections: C.2.1 and C.2.6

Not Applicable

- › **38. The board should always be granted first-hand knowledge of issues dealt with and decisions taken by the Executive Committee and each board member should receive a copy of the minutes of the executive committee.**

Not Applicable

- › **39. In addition to the Audit Commission required by the Securities Market Act, the Board of Directors should also create a commission, or two separate commissions, for appointments and remunerations**

The rules governing the composition and operation of the audit Commission and the appointments and remunerations commission or commissions should be set forth in the Board Regulations, and should include:

- The board of directors should appoint the members of such commissions considering the knowledge, aptitudes and experience of the directors and the duties of each commission; decide on their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first plenary board following each meeting;
- These commissions should consist exclusively of external board members, with a minimum of three. That notwithstanding, executive board members or senior officers may also attend meetings, for information purposes, at the commissions' invitation.
- Committees should be chaired by independent board members.
- External consultants may be engaged if deemed necessary for the performance of their duties.
- Minutes should be recorded of their meetings and copies of such sent to all board members.

See sections: C.2.1 and C.2.4

Compliant

- › **40. The supervision of compliance with the internal codes of conduct and corporate governance regulations should be entrusted to the Audit Commission, Appointments Commission or, if separately existing, Compliance or Corporate Governance Commissions.**

See sections: C.2.3 and C.2.4

Compliant

- › **41. All members of the audit Commission, particularly its chairman, should be appointed bearing in mind their knowledge and background in Accounting, Auditing and Risk Management.**

Compliant

- › **42. Listed companies should have an internal audit function, under the supervision of the audit Commission, to ensure the proper operation of internal reporting and control systems.**

Compliant

- › **43. The head of internal audit should present an annual work plan to the Audit Commission; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.**

Compliant

- › **44. Risk monitoring and management policy should at least specify:**
  - The different types of risk (operational, technological, financial, legal, reputation-oriented...) to which the company may be exposed, including those of financial or economic, contingent liabilities and other off-balance-sheet risks;
  - The determination of the level of risk deemed acceptable to the company;
  - Measures in place to mitigate the impact of risk events should they occur;
  - The internal reporting and monitoring systems to be used to monitor and manage the aforementioned risks, including contingent liabilities and off-balance-sheet risks.

See section: E

Compliant

› **45. The audit Commission's role should be:**

- In relation to the internal monitoring and reporting systems:
  - The main risks identified as consequence of the supervision of the efficacy of the company's internal monitoring and internal audits, as the case may be, should be managed and appropriately disclosed.
  - Monitor the independence and efficacy of the internal auditing; propose the selection, appointment, re-election and removal of the head of internal audit; propose the department's budget; receive regular feedbacks on its activities; and verify that senior management is acting on the findings and recommendations of the reports.
  - Establish and supervise a mechanism by which the staff may confidentially and, if necessary, anonymously report any irregularities, especially those of financial or accounting, detected in the course of their duties, with potentially serious implications for the company.
- In relation to external auditors:
  - To be regularly informed by the external auditor on the progress and findings of the audit plan and to ensure that senior management follow up on its recommendations.
  - To make sure the external auditor remains independent and, for that purpose:
    - The company should notify the CNMV of any change of auditor as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
    - The Commission should investigate the issues giving rise to the resignation of any external auditor.
  - In the case of groups, the Commission urges the group auditor to take on the auditing of all component companies.

See sections: C1.36, C.2.3, C.2.4 and E.2

Compliant

- › **46. The audits Commission should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.**

Compliant

- › **47. The audits Commission should inform the board on the following points from recommendation 8 prior to the board taking a decision on the relevant decisions:**
  - The financial information that all listed companies must periodically disclose. The commission should ensure that interim statements are drawn up under the same Accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.
  - The creation or acquisition of shares in special purpose entities or entities resident in countries or territories considered tax havens, and any other analogous transactions or operations which, due to their complexity, might impair the transparency of the group.
  - Transactions that are linked, except where their scrutiny is entrusted to some other supervision and monitoring commission.

See sections: C.2.3 and C.2.4

Compliant

- › **48. The board of directors should seek to present the annual accounts to the Shareholders' General Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audits Commission and the auditors should clearly inform the shareholders on said reservations or qualifications.**

See sections: C.1.38

Compliant

- › **49. The majority of the members of the Appointments –or Appointments and Remunerations Commission if only one exists– should be independent board members.**

See section: C.2.1

Compliant

- › **50. In addition to the functions listed in the preceding recommendations, the Appointments Commission should be responsible for the following:**
  - Evaluating the necessary abilities, knowledge and experience on the Board, consequently defining the roles and capabilities required of the candidates to fill each vacancy, and deciding on the time and dedication necessary for them to properly perform their duties.
  - Appropriately examining or organizing the succession of the chairman and chief executive and, where necessary, making recommendations to the Board for said succession to proceed in a planned and orderly manner.
  - To report on the appointments and dismissals of senior staff as proposed by the chief executive to the Board.
  - Reporting to the board on the gender diversity issues discussed in recommendation 14 of this code.

See section: C.2.4

Compliant

- › **51. The appointments commission should consult the company's chairman and chief executive on, especially, matters relating to executive board members.**

**Any board member may suggest possible candidates to the Appointments Commission if it deems fit, for filling out vacancies on the board of directors.**

Compliant



› **52. In addition to the functions listed in the preceding recommendations, the Remunerations Commission should be responsible for the following:**

- To make the following proposals to the Board of Directors:
  - The remuneration policy for board members and senior management;
  - The remuneration and other contractual conditions of individuals of the executive board members;
  - The standard conditions for senior officer employment contracts.
- To ensure compliance with the remuneration policy set forth by the company.

See section: C.2.4

Compliant

› **53. The remunerations commission should consult the company's chairman and chief executive on matters especially relating to executive board members and senior management.**

Compliant

## H. Other information of interest

- › **1. Provide a brief detail of any other relevant aspects in the matter of the corporate governance of the company or entities of the group that have not been included in the other sections of this report, but that the inclusion of which is necessary for the compiling of a more complete and reasonable information on the structure and practices of governance in the entity or group.**

In 2013 Abengoa started compiling a “corporate compliance” programme.

The concept of “**corporate compliance**” was introduced in adherence to international practices and to specific compulsory legal rules and regulations, especially practised in Anglo-Saxon Law and, from December 2014 onwards, in Spain. Up until the Transparency Law and, most recently, Law 31/2014, of December 3, which amends the Corporate Law to improve corporate governance, became effective and enforceable in Spain, good governance recommendations were only as such, recommendations. They were not binding even though, on the international markets, companies were legally obliged to comply with certain codes of conduct to prevent fraud, among other bad practices. Notwithstanding the above, due to the increase in getting closer to the international markets as well as to the recent promulgation of Law 31/2014, it is now necessary, on the one hand, to harmonize the international practice with the Spanish laws, thus introducing the concept of criminal liability for legal entities and, on the other, to adapt the various company standards to the new amendments introduced in the Corporate Law.

The goal and objective that Abengoa hopes to attain by creating this programme and by adapting its standards to the recent amendments in the Corporate Law on the aspect of corporate governance is for the board of directors and the management to apply and practice ethics, legality and efficacy in business transactions (good governance), with the organization's systematic focus on evaluating and managing risks, and to ensure that the organization and its employees comply with the existing laws, regulations and standards, including the company's behavioural standards (regulatory compliance), with Abengoa exercising the due control and providing a strategic vision to tackle the legal needs of the organization. The creation of a regulatory compliance monitoring programme by introducing an effective system of good governance and crime prevention is an inevitable resource for the reputation of Abengoa.

Abengoa’s corporate compliance programme establishes standards and procedures for detecting and preventing bad corporate practices, with the board of directors acting as the authority in supervising the implementation and improvement of the compliance programme and creating the internal post of compliance officer. An appropriate **“corporate compliance programme”** requires an evaluation of the criminal, social and corporate good governance risks, a monitoring authority, a follow-up, action and surveillance programme as well as a significant task of continuous training of employees.

- › **2. In this section, you may also include any other information, clarification or detail related to the above sections of the report, to the extent that these are deemed relevant and not reiterative.**

Specifically, indicate whether the company is subject to non-Spanish legislation with regard to corporate governance and, if so, include the information it is obliged to provide and which is different from that required in this report.

**Admission to trade on Nasdaq**

The ADS (American Depositary Shares) of Abengoa, SA purchased for Class B Shares were officially admitted to trade on Nasdaq, electronics stock market of American shares, on October 17, 2013. Consequently, Abengoa has to comply with the SEC requirements on the aspect of providing information, which implies reporting to the SEC all relevant information that the CNMV may publish in Spain, as well as having to make certain financial information available to SEC on yearly basis.

**International Advisory Board**

In 2010, Abengoa, becoming aware of its growing international implications in business transactions, created the International Advisory Board, with the board of directors empowered to select its members. The Advisory Board is a non-ruled voluntary body that renders technical and advisory consultancy services to the board of directors, to which it is organically and functionally subordinate, as consultant and strictly professional adviser; its main function is to serve as support to the board of directors within the scope of the latter’s own power and authority, collaborating and advising, basically focusing its activities on responding to inquiries made by the Board of Directors in connection to all issues on which the board of directors may seek advice, or even suggesting and making proposals considered as the outcome of their experience and analysis. This task of providing consultancy in matters of strategy, the environment and corporation, is in line with the greater knowledge Abengoa holds in the

needs of the various interest groups. It is one of the best indicators of the needs of interest groups

In 2014 Ms. Noemí Sanín Posada replaced Mr. Ricardo Hausmann.

The international advisory board comprises of persons of renowned prestige in various matters at international level. The most suitable profiles are selected based on the criteria of qualifications regardless of gender. The procedure for selecting them is based on professional merits and profiles and not on specific interests.

The members of the advisory board serve for two years, with the board of directors empowered to select its members who can also be re-selected. We now have a woman, Ms. Noemí Sanín Posada, on the board

**Composition and Profile**

Mr. Javier Benjumea Llorente	Executive Chairman
Mr. José Borrell Fontelles	Vice-chairman
Mr. Kemal Dervis	Member
Mr. Mario Molina	Member
Mr. Nicholas Stern	Member
Ms. Noemí Sanín Posada	Member
Mr. Bill Richardson	Member
Mr. Charles Wellesley, Duke of Wellington	Member
Mr. Álvaro Fernández - Villaverde y Silva, Marqués de Santa Cruz	Member
Mr. Alan García Pérez	Member
Wilmer Cutler Pickering Hale and Dorr LLP Law Firm (Pennsylvania, Washington, DC in the US)	

**Whistleblowing Channel**

Abengoa and its business units have been operating a whistleblower channel since 2007 pursuant to the requirements of the Sarbanes-Oxley Act, whereby interested parties may report possible irregularities on accounting, auditing or internal controls over financial reporting, to the audits Commission. A register is kept of all communications received

in relation to the whistleblower, subject to the necessary guarantees of confidentiality, integrity and availability of the information.

In highly technical cases, the company secures the assistance of independent experts, thus ensuring at all times that it has the sufficient means of conducting a thorough investigation and guaranteeing sufficient levels of objectivity when performing the work.

### **Rights inherent in Class A and B Shares**

Abengoa en el artículo 8 de sus estatutos regula los diferentes derechos de sus acciones clase A y B. La junta general extraordinaria de accionistas celebrada en segunda convocatoria el día 30 de septiembre de 2012 acordó modificar el artículo 8 de los estatutos sociales de Abengoa para incluir un mecanismo de conversión voluntaria de acciones clase A en acciones clase B. A continuación se detalla el mencionado subapartado del mencionado artículo 8 que contempla el derecho de conversión voluntaria:

“ [...] A.3)Derecho de conversión en acciones clase B

Article 8 of Abengoa’s Bylaws regulates the different rights inherent in its Class A and B shares. The extraordinary general shareholders’ meeting held on the second call on September 30, 2012, agreed to amend Article 8 of Abengoa’s Bylaws to include a mechanism for voluntarily converting class A shares into class B shares. Below is the aforementioned sub-section of the aforementioned Article 8 which includes the right of voluntary conversion:

“ [...] A.3) The Right of conversion into Class B Shares

Each Class A Share entitles its owner the right to convert it into a Class B Share until December 31, 2017.

Owner may exercise its right of conversion by notifying the company or, better still, as the case may be, the agency designated for such, through the corresponding participating entity of the Securities Registration, Compensation and Liquidation Management Company (Iberclear), by any media that permits the issuance of remittance and reception receipts, of notification, deemed irrevocably and unconditionally submitted, reflecting the total number of class A shares owned by said owner and the exact number of class A shares over which said owner wishes to exercise the inherent rights of conversion, in order for the Company to execute the agreements necessary for effecting the aforementioned

conversion and to subsequently inform the CNMV by issuing the corresponding Notice of Significant Event.

The aforementioned notice shall include the corresponding Certificate of Ownership and Legitimacy for the Class A Shares issued by an entity that must be participant in the Iberclear Management Systems, or through an intermediary or depository or financial entity managing the shares under the terms set forth in the regulations governing securities representation by means of book-entry or through any other equivalent means of accreditation to which the Company grants sufficient validity for that purpose.

The exercise of the inherent conversion rights of a class A shares shall be understood as the company’s stock capital being reduced in the amount of the difference between the nominal value of the class A shares for which the inherent rights are exercised and the nominal value of the same number of class B shares, an amount that will increase the restricted reserve which the company would already have set aside for that purpose and in accordance with Article 335.c) of the Corporate Law.

The Board of Directors, with the specific faculty of substitution by the Chairman or the Chief Executive, shall be empowered to determine the period, frequency and procedure for exercising the inherent conversion rights, including, if applicable, the decision of adequacy of the aforementioned equivalent means of accreditation, as well as all other aspects that may be deemed necessary for the proper and correct exercise of said right, which shall all be appropriately communicated through the corresponding notice of significant event. [...]

### **Reinforcement to guarantee minority rights**

In the interest of reinforcing minority rights, Abengoa submitted a series of bylaw amendments to the extraordinary general shareholders’ meeting for approval for the purpose of ensuring that the so-called “defence of minority rights” does not suffer infringements for the mere fact that two different classes of shares exist with different nominal values simply because the lesser nominal value of the class B shares would entail that it is more difficult to obtain the percentages of the stock capital required for the exercise of some policy rights. Thus, the general shareholders’ meeting approved the amendments of Abengoa’s bylaws in the manner set forth below to envisage that all rights are exercised considering the number of shares as basis for the percentage, and not the stock capital. These rights, like, for example, the right to convene a shareholders meeting or to request the exercise of a corporate liability action, requires the ownership of a specific percentage of stock capital in the nominal sense (in the cited case, 5% at present) though, as a consequence of the

enforceability of Law 31/2014, which amends the Corporate Law with regards to Corporate Governance, Abengoa is currently revising its internal rules and regulations which will imply, among other things, the reducing of the aforementioned percentage down to 3%.

In particular, the extraordinary general shareholders' meeting approved the amendment of the bylaws so that it may reflect: that shareholders be required to own three hundred and seventy-five (375) shares, regardless of whether class A or B, to attend the general meeting of the company's shareholders; that shareholders be allowed to request the publication of a supplement to the call for an ordinary general meeting of shareholders including one or more points on the agenda and to submit proposals of decisions on issues already included or that should be included on the agenda of the convened meeting based on the number of shares owned by the shareholders; that (i) shareholders who own one percent of the voting shares be able to request the presence of Notary Public to endorse the minutes of the shareholders' general meeting on the basis of the number of shares that they may own; (ii) shareholders who own five percent of voting shares be able to request the convening of the shareholders' general meeting that should decide on the corporate liability action against directors or to exercise the corporate liability action without or against the decision of the shareholders' general meeting; that the company's board of directors convene shareholders' general meeting if requested as such by shareholders representing five percent of the company's voting shares; that the company's board of directors extend the shareholders' general meeting if requested as such by the shareholders representing five percent of the company's voting shares and that the company's board chairman suspends the rights to information as established in Article 197 of the Corporate Laws if requested as such by shareholders representing less than twenty-five percent of the company's voting shares.

Notwithstanding all of the above, as already previously mentioned, the bylaws and other rules regulating the operation of the company and its internal organs are being revised for adaptation to the new legal requirements introduced in Law 31/2014 which amends the Corporate Laws with regards to matters of Corporate Governance. The expected amendments include, among others, the decrease in the percentage from 5% referred to above down to 3%.

- › **3. The company may also indicate whether it voluntarily adhered to other codes of the principles of ethics or other good practices, international, sector or otherwise. As the case may be, the company shall identify the code in question and the date of adherence.**

As a result of the company's commitment to transparency, and for the purpose of continuing to ensure the reliability of the financial report prepared by the company, the report was adapted to the requirements established in section 404 of the 2007 United States Sarbanes-Oxley Act (SOX). For another year, the internal control system of the whole group was voluntarily submitted to an independent evaluation process conducted by external auditors under the PCAOB (Public Company Accounting Oversight Board) audit standards.

This standard is a compulsory law for all companies listed in the United States and is aimed at ensuring the reliability of the financial reporting of these companies and at protecting the interests of their shareholders and investors, by setting up an appropriate internal control system. This way, and even though none of the Business Units are under obligation to comply with the SOX Law, Abengoa believes it is best for all its companies to comply with said requirements, since said rules complete the risks control model that the company uses.

Likewise, in 2002 Abengoa signed the United Nations World Pact, an international initiative aimed at achieving the voluntary commitments of entities regarding social responsibility, by way of implementing ten principles based on the fights against corruption and on human, labour and environmental rights.

In 2006 Abengoa Peru signed the United Nations World Agreement, an agreement that is part of the principles of strategy, culture, and the daily transactions of our company, and we strive to make a clearer declaration of our commitments - both to our employees, colleagues, clients, as well as to the public in general.

Also, in 2007, the company signed the Caring for Climate initiative, also from the United Nations. Consequently, Abengoa put in motion a system of reporting on greenhouse gas (GHG) emissions which would permit it to register its greenhouse gas emissions, know the traceability of all its supplies and certify its products and services.

**This Annual Corporate Governance Report was approved by the company's Board of Directors at its meeting held on:**

**Indicate whether Board Members voted against or abstained from voting for or against the approval of this Report.**

No



03  
Annual  
report on the  
remuneration  
of Board  
Members  
(RAR)

## A. The company's remunerations policy for the ongoing year

### A.1.- Abengoa's remunerations policy for the ongoing financial year

In Abengoa, S.A. (hereinafter, Abengoa or the Company or Corporation) it is considered important to maintain policies geared towards proposing long-term professional careers in the Group of which Abengoa is the parent company (Group) and, at the same time, promoting the Company and its Group's long-term profitability and sustainability, maintaining a reasonable proportion with the importance of the Company, its economic situation at all times and the market standards of companies with similar magnitude. Abengoa's business transactions and operations are conducted in extremely competitive fields in which the achievement of goals and objectives greatly depend on the quality, work capacity, dedication, and the business knowledge of the persons holding the key posts and leading the organization.

These premises determine the group's remuneration policy in general, that of the Board Members, in particular, and especially that of the executives, and should make it possible to attract and retain the best amongst the professionals.

Consequently, the aim of the remuneration policy of Board Members is as follows:

- › Remunerations for the supervisory and decision-making duties performed as members of the Board of Directors should be appropriate to reward the dedication, qualification, and the responsibility required for the performance of the duties of Board Member, bearing in mind the duties performed on the Board of Directors and the Committees on which they serve.
- › Regarding the remuneration of executive board members for performing executive duties:
  - The overall remuneration package and its structure are competitive in comparison with the international sector and compatible with our vocation of leadership.
  - The maintenance of an annual variable component linked to the achievement of specific and quantifiable objectives that are in line with the interests of shareholders

The criteria for establishing board member remunerations policy is in conformity with the provisions of the Corporate Law (Articles 217 to 219, 249 and 529o to 529r), those of the Bylaws (Article 39) and those of the Regulations of the Board of Directors (Article 20), establishing various criteria depending on whether or not the board member performs executive duties:

#### **Remuneration of Board Members for their condition as such**

The post of board member is remunerated following the stipulations of article 39 of the Bylaws. The salary may consist of a fixed amount set up by the General Assembly, in not necessarily equal amounts for all members. It could also be an allotment of shares in the Company's profits, of between 5 and 10 percent maximum of the annual profit after subtracting the dividend for the financial year at hand, plus reimbursement of expenses from travels undertaken in the performance of duties entrusted by the Board, and remunerations for Board Committee memberships and, as the case may be, for holding the office of board chairperson.

The maximum annual amounts payable in remunerations to the entire board of directors for their condition as such shall therefore not exceed the amount of the result of adding, as the case may be, the amount of shares in the company profits, the travel expenses, and allowance for Committee membership or for holding the office of chairperson, to the fixed amount agreed upon by the General Assembly. The preceding, understood notwithstanding remunerations payable to Executive Board Members for the performance of executive duties attributed to such office, different from supervisory and decision-making duties performed by mere members of the Board of Directors.

The calculation of the remunerations of each Board Member for his/her condition as such shall remain the duty of the Board of Directors who, for the purpose thereof, shall consider the duties and responsibilities attributed to each Board Member, the membership of the Board itself and all other objective circumstances deemed relevant.

#### **Remunerations for the performance of duties other than those attributed to board membership**

These include remunerations to board members for performing their duties, whether as executive board members or otherwise other than those of supervisory and decision-making duties performed on the Board or on its committees.

These remunerations are compatible with the perception of the bylaws and per diems they may be paid for their mere condition as members of the Board of Directors.

Executive-duty salary packages include the following basic elements:

› **Fixed remuneration**

This amount must be competitive in comparison to market standard in line with the leadership position Abengoa strives to achieve. Its calculation takes into account market studies conducted by external consultants.

Fixed remuneration consists of a fixed gross amount paid annually, divided into twelve equal monthly payments made monthly in arrears.

› **Variable annual remuneration (bonus)**

Variable annual remuneration (or bonus) for executive board members is basically linked to the fulfilment of goals and objectives. Said goals and objectives are tied to the Earnings Before Interest, Taxes, Depreciation and Amortization (**EBITDA**). Based on these criteria, a range of total variation of the variable remuneration of executive board members is estimated at the start of financial year.

The variable remuneration is the annual bonus payable in bulk.

The relative weight and the criteria for determining the variable remuneration for executive board members are based on the following:

- › Market references based on the information provided by top world consultants on remuneration.
- › The essential reference for the variable annual remuneration is the evolution of EBITDA, whether for Abengoa in general or, for executive board members holding non-general responsibilities, commensurate with the degree of responsibility.
- › At the end of the financial year this basic quantitative element will be considered together with other qualitative elements, which may vary from year to year, and may allow the decision to be modulated on the actual amount of the variable remuneration at that moment.

Executive board members are beneficiaries of the extraordinary variable compensation plan for executives described in section A.4 and following herein, remunerations that are not tied to the company's share value under the terms and conditions envisaged in Article 219 of the Corporate Law, even though the right to receive, rather than the amount to be received, initially depends on whether the company's Class B shares attain specific price quotations goals, a prerequisite, nevertheless, that the Appointments and Remunerations Committee of the Company can decide to overlook if exceptional circumstances occur on the stock market that may be deemed by said committee as sufficient justification. Therefore, there are no significant changes in the remunerations policy of the Board of Directors for this ongoing financial year in comparison to remunerations policy applied during the past financial year, given that compensations are still paid to board members without the inclusion of share packages or share options.

A.2.- Process of Determining the Remunerations Policy

By virtue of the directive issued by the Board of Directors, the remunerations policy of Abengoa's Board of Directors is prepared, formulated and discussed by the Appointments and Remunerations Committee at the start of each financial year, then the resulting proposal is submitted to the Board of Directors for its subsequent submission for approval to the Company's Ordinary Shareholders' General Meeting, at least every three years.

Below are the current members of the Appointments and Remunerations Committee, and, as such, the main participants in defining the remunerations policy:

José Borrell Fontelles	Executive Chairman	Independent member
Alicia Velarde Valiente	Member	Independent member
Mercedes Gracia Díez	Member	Independent member
Antonio Fornieles Melero	Member	Independent member
Juan Carlos Jiménez Lora	-	Non-Board Member Secretary

Mr. Borrell Fontelles was appointed as member of the Committee by the Board of Directors of Abengoa, S.A. at its meeting held on February 23, 2012, and elected as Chairman of the Appointments and Remunerations Committee at its meeting held on July 23, 2012; on the hand, the secretary was appointed as such at the meeting of the Appointments and Remunerations Committee held on June 23, 2014.

Mr. Fornieles Melero was appointed as an independent member of the board of directors of Abengoa by decision of said company's Board of Directors, through the co-optation system, to cover the vacancy created by the resignation of Aplidig, S.L. on January 19, 2015, and on that same date he was appointed as Second Vice-chairman, Lead Director, member of the Audits Committee and of this Appointments and Remunerations Committee of the Board of Directors.

Thus, the Appointments and Remunerations Committee comprises of three independent board members and the chairman of the committee was elected from amongst the Independent Board Members, such that it is in perfect compliance with the prerequisites set forth in the Corporate Law. Likewise, in accordance with the provisions in Article 2 of its Internal Regulations, the position of Chairman of the Committee must be held by an independent board member.

No external consultants participated in determining the remunerations policy.

### A.3.- Fixed Components of the Remunerations

In Abengoa, only the executive board members are entitled to fixed remunerations, which are entirely derived from salaries payable for the performance of executive duties. In 2014, the amount paid as salaries to executive board members amounted to €2,824 (in thousands of Euros).

Both the allowance of the board of directors as well as the amounts payable for committee membership or chairmanship, were payable only for attendance. Below are the amounts paid in 2014 for said items:

- › Allowance for board of directors: €499 (in thousands of Euros)
- › Membership or chairmanship of committees: €520 (in thousands of Euros)

Likewise, certain executive board members are offered life insurance coverage for which the Company paid €2 (in thousands of Euros) as premium in 2014.

### A.4. Variable Components of the Remunerations System

Variable annual remuneration (or bonus) for executive board members is basically linked to the fulfilment of goals and objectives. Said objectives are linked to EBITDA. Based on these criteria, a range of total variation of the variable remuneration of executive board members is estimated at the start of financial year.

The variable remuneration is the annual bonus payable in bulk.

The total amount of the bonus paid to the executive board members during the 2014 financial year amounted to €10,719 (in thousands of Euros).

#### Extraordinary Variable Compensation Plans for Executives

There are currently two extraordinary long-term variable remunerations plans for Executives.

##### 1. Extraordinary Variable Remunerations Plan for Executives, January 2014

This Plan, which invalidates and replaces the Extraordinary Plan approved in February 2011, was itself approved by the Board of Directors of the Company in January 2014 as proposed by the Appointments and Remunerations Committee.

The Plan includes the executive board members (participants), among other executives, as beneficiaries, and it is scheduled to mature on December 31, 2017. Would-be beneficiaries are bound to fulfil the following conditions:

- › that the beneficiary remain in the employment of the company until the Plan is exhausted;
- › that the beneficiary be entitled to an annual bonus for each of the financial year contemplated;
- › that the degree of compliance be 20% annually, notwithstanding the accrual and enforceability occurring on December 31, 2017;
- › that the 2017 Business Group's and/or Abengoa's consolidated budget be complied with based on the Strategic Plan;
- › that the average trading of the Class B Abengoa shares not be lower than a specified value, during the last three months of 2017;



In the event that a beneficiary ceases to be such of said Plan before the maturity deadline (whether voluntarily or as consequence of a legal dismissal), said beneficiary shall not be entitled to any payments whatsoever by virtue of the Plan.

In the event of a beneficiary's demise, the Plan shall be halted with the heirs entitled to the total or consolidated amount owed to said beneficiary for the financial year prior to his/her demise, calculated based on the category of the executive.

In the event of a beneficiary's retirement as a result of reaching the age established by law or due to complete permanent disability (preventing him/her from doing any other kind of work) before the Plan's scheduled maturity date, said beneficiary shall be entitled to the amount consolidated during the completed financial years preceding such retirement, as long as the other established conditions are met.

## 2. Extraordinary Variable Remuneration Plan for Executives, July 2014

This Plan was approved by the Board of Directors of the Company in July 2014 as proposed by the Appointments and Remunerations Committee.

The Plan includes the Chairman and the CEO, among other executives, as beneficiaries (participants). The duration of the Plan is five years (2014-2018) and it is scheduled to mature on December 31, 2018, at 20% annual accrual. Though there may be beneficiaries of this Plan whose remunerations accrue, in principle, when the permanence criteria is met (others are partly fixed to permanence and partly to objectives), the remuneration of the members of the Board of Directors shall only accrue if the permanence criterion is in addition to that of the performance of personal objectives that are linked to Abengoa's Strategic Plan and, additionally, in the case of the CEO, to the Strategic Plan of Abengoa Yield.

Would-be beneficiaries are bound to fulfil the following conditions:

- › that the beneficiary remain in the employment of the company until the Plan is exhausted;
- › executives whose total or partial remunerations are linked with the performance of personal objectives, the beneficiary must have been entitled to annual bonus.
- › that the degree of compliance be 20% annually, notwithstanding the accrual and enforceability occurring on December 31, 2018;
- › that the average trading of the Class B Abengoa shares not be lower than a specified value, during the last three months of 2018;

In the event of resignation (voluntary or by dismissal) the Plan shall be halted void of any accrual whatsoever.

In the event of a beneficiary's demise, the Plan shall be halted with the heirs entitled to the total or consolidated amount owed to said beneficiary for the financial year prior to his/her demise, calculated based on the category of the executive.

In the event of a beneficiary's retirement as a result of reaching the age established by law or due to complete permanent disability (preventing him/her from doing any other kind of work) before the Plan's scheduled maturity date, said beneficiary shall be entitled to the amount consolidated during the completed financial years preceding such retirement, as long as the other established conditions are met.

### A.5. Long-term savings systems

The compensation package for Abengoa board members does not include any long-term savings system.

### A.6.- Compensations

There is no provision for the payment of any compensation whatsoever to Board Members in the event of termination of duties as such, and no compensation was paid for any item during the 2014 financial year. The payment of compensation is only envisaged in the event of termination of executive duties in the financial year, which, as the case may be, can be performed, as detailed in the section A.7 below.

### A.7. Conditions of contracts signed with executive board members

Based on the Appointments and Remunerations Committee proposal, the Board of Directors fixes the remunerations of the Executive Board Members for the performance of their executive duties and other basic conditions that must be respected in their contracts, duly approved by the Board of Directors under the terms and conditions envisaged in Article 249 of the Corporate Law. Said conditions are as follows:

#### Permanent

Contracts of executive board members of the Company are permanent and envisage financial compensation for cases of termination of contractual relationship with the

company, as long as such termination is not exclusively caused by the free will of the executive board member or is not as consequence of non-performance of obligations.

#### **Applicable standard**

The regulation applicable to executive board member contracts is stipulated by the legal ordinance in each case.

#### **Non-concurrence**

In all cases, the contracts of executive board members establish obligations of non-concurrence in relation to analogous companies and activities during the validity of the relationship with the Company and for a subsequent period of twelve months.

#### **Non-disclosure and Return of Documents.**

A strict non-disclosure is imposed, both during the validity of the contracts as well as upon the termination of the relationship. In addition, once the relationship is ended with the Company, executive board members are bound to return all documents and objects that they have relating to the activities back to the Company.

#### **Bonus for permanence**

To obtain the loyalty of executive board members, their contracts could include bonus on the condition of permanence in the performance of their duties until the age of 65, and which can accrue, likewise, in case of early termination of Executive Board membership for reasons not attributable to their free will or not caused by non-performance of duties attributable thereto.

#### A.8. Supplementary Remunerations

Abengoa does not owe supplementary remunerations to its board members.

#### A.9. Advances, Credits and Bonds Granted

No advances, credits or guarantees were granted to members of the Board of Directors of Abengoa.

#### A.10. Remunerations in Kind

The concept of Remunerations in kind is reduced to bonus paid by the Company in the form of life insurance for specific individual executive board members.

#### A.11. Remunerations Accrued by Board members by Virtue of Payments made to Third Party Entity

No payments were made to any company for the purpose of remunerating the services rendered to Abengoa by external board members.

#### A.12. Other Payable Items

There are no wage components other than those outlined in previous sections.

#### A.13. Actions Put in Place to Reduce Risks

To ensure the effective running of the organization and to guarantee the Company's long-term future, in addition to a good strategic planning, it is inevitable to retain an accurate and rigorous management that considers the risks associated with the company's activity itself and to have a foresight into how to mitigate them.

Thus, Abengoa has a global system for managing its own risks, included into the common management systems, which permits the monitoring and identification of risks and which are regularly updated for the purpose of creating a culture of common management, achieving the objectives set forth in the area and having the capacity to adjust in order to mitigate threats that may surface in an environment as competitive as the present.

The introduction of this system enforces the following:

- › The management of risks at all levels of the organization, without any exceptions.
- › Its full integration into the strategy and into the systems for achieving the fixed objectives.
- › The full support of the management to evaluate, follow-up and comply with guidelines relating to the management of threats.

This system of risks management is based on three tools:

- › The compulsory internal norms (NOC).
- › The compulsory process to be followed (POC).
- › The Universal Risks Model (URM).

Compliance with them is guaranteed through the verification conducted by the Internal Audits Department and at committee meetings regularly held with senior staff and chairman's office.

These tools and common management systems are designed from quality standards aimed at complying with international rules and regulations like the ISO 31000 and the Sarbanes-Oxley Act, and have been certified by companies of international repute.

The Universal Risks Model (URM) is the methodology that Abengoa uses for the identification, comprehension and evaluation of the risks that may affect the Company. Its main purpose is to obtain an integral vision of them, designing an efficient system that is in line with the business goals and objectives of Abengoa.

The URM consists of more than 55 risks classified into 20 different categories grouped into 4 large areas: financial, strategic, regulations and transactions.

The URM is subject to annual revisions to ensure that the calculations designed for each risk are the most appropriate for the day-to-day operations of the Company.

## B. Remunerations Policy envisaged for Future Financial Years.

### B.1. Remunerations Policy for Future Financial Years

The Board of Directors' remunerations policy for future financial years coincides with the content of the remunerations policy of Abengoa's Board of Directors for the ongoing financial year described in preceding section A, which, pursuant to the stipulations of Section 2.(a) of the Transitory Provision of Law 31/2014, of December 3, which amends the Corporate Law for the improvement of Corporate Governance, shall be applicable during the 2015, 2016 and 2017 financial years as long as this report, when submitted to the approval of the 2015 Ordinary Shareholders' Meeting as a separate point on the agenda, is approved in consultative voting by the aforementioned General Meeting.

### B.2. Decision-making process for Determining Future Remunerations Policy

The Board members' remunerations policy for financial years beyond 2017 shall be submitted by the Company's Board of Directors to the approval of the Ordinary Shareholders' General Meeting to be held in 2018, following the proposal by the Appointments and Remunerations Committee, as a separate point on the agenda, for its application during the 2018, 2019 and 2020 financial years. The Board members' proposed remunerations policy prepared by the Board of Directors shall be made available to Abengoa shareholders, together with the specific compulsory report from the Appointments and Remunerations Committee, by uploading them to the Company's Webpage from the moment of the call to the aforementioned General Meeting.

The Committee is considered validly constituted if the majority of its members are present. Only non-executive board members may act as representatives.

Decisions taken shall be deemed valid if favourably voted by the majority of the committee members, present or represented. Situations of tie shall be resolved by Chairman's vote.

The Company's head of remunerations act as secretary in the Committee meetings.

### B.3. Incentives Created to Reduce Risks

The Abengoa risks management has been paramount in driving the Company to the current leadership position held on the market. Its global risks management system, included in the common management systems, permits it to monitor and identify risks at all levels of the organization and to mitigate threats that may arise, without necessarily having to establish specific incentives in that regard in the remunerations policy of the board of directors.

## C. Overall summary of how the Remunerations Policy was applied during the closed Financial Year.

### C.1. Remunerations Policy applied during the Financial Year: structured and payable items

The structure and wage components of the Abengoa board members vary based on whether or not the board member is an executive, and is approved by the board of directors at the start of each financial year:

#### **Remuneration for non-executive board member post**

The post of board member is remunerated following the stipulations of article 39 of the Bylaws. The salary may consist of a fixed amount set up by the General Assembly, not necessarily equal amounts for all members. It could also be an allotment of a share in the Company's profits, of between 5 and 10 percent maximum of the annual profit after subtracting the dividend for the financial year at hand, plus reimbursement of expenses from travels undertaken in the performance of duties entrusted by the Board, and remunerations for Board Committee memberships and, as the case may be, for holding the office of board chairperson.

#### **Remunerations for the performance of other non-board member Company duties**

These include remunerations to board members for performing duties, as executive board members or otherwise, other than those of supervision and decisions executed on the Board or on its Committees.

These remunerations are compatible with the perception of the bylaws and per diems they may be paid for their mere condition as members of the Board of Directors.

Executive-duty salary packages include the following basic elements:

- › Fixed remuneration

This amount must be competitive in comparison to market standard in line with the leadership position Abengoa strives to achieve. Its calculation takes into account market studies conducted by external consultants. The fixed salary consists of the following:

- Salary Level. This is the basic fixed monthly salary, stipulated for each category or level.
- Special Responsibility Allowance (SRA). This supplementary payment is freely set by the Company's Management and paid on monthly basis, and it is therefore linked to and conditioned by the exercise of a specific duty or the performance of a given responsibility.

The fixed remuneration therefore includes the salary level amount and the special responsibility allowance, payable monthly.

- › Variable annual remuneration (bonus)

Variable annual remuneration (or bonus) for executive board members is basically linked to the fulfilment of goals and objectives. Said objectives are linked to EBITDA. Based on these criteria, a range of total variation of the variable remuneration of executive board members is estimated at the start of financial year.

The variable remuneration is the annual bonus payable in bulk.

## D. Detail of Individual Payments received by each Board Member

### D.1 Detail of Individual Payments received by Board Members

#### A) Remunerations Accrued in Abengoa, S.A. (in thousands of Euros):

Name	Typology	Period of accrual 2014 Financial Year	Salary	Fixed Remuneration	Per diem (allowance)	Short-term variable remuneration	Long-term variable remuneration	Remuneration for serving on Board of Directors Committees	Compensation	Other items	Total 2014 Financial year	Total 2013 Financial year
Felipe Benjumea Llorente	Executive	01.01.14-31.12.14	1,086	-	93	3,304	-	-	-	1	4,484	4,484
Aplidig, S.L. (1)	Executive	01.01.14-31.12.14	-	202	93	2,804	-	-	-	-	3,099	3,099
Manuel Sánchez Ortega	Executive	01.01.14-31.12.14	1,086	-	93	3,304	-	-	-	1	4,484	4,484
Javier Benjumea Llorente	Executive	01.01.14-31.12.14	450	-	93	1,307	-	200	-	-	2,050	1,832
José Borrell Fontelles	Independent	01.01.14-31.12.14	-	-	160	-	-	140	-	-	300	300
Mercedes Gracia Díez	Independent	01.01.14-31.12.14	-	-	160	-	-	40	-	-	200	200
Ricardo Martínez Rico	Independent	01.01.14-31.12.14	-	-	110	-	-	20	-	-	130	136
Alicia Velarde Valiente	Independent	01.01.14-31.12.14	-	-	110	-	-	40	-	-	150	150
Ricardo Hausmann (2)	Independent	06.04.14-31.12.14	-	-	178	-	-	-	-	-	178	-
José Joaquín Abaurre Llorente	Proprietary (Dominion)	01.01.14-31.12.14	-	-	110	-	-	40	-	-	150	150
José Luis Aya Abaurre	Proprietary (Dominion)	01.01.14-31.12.14	-	-	110	-	-	40	-	-	150	150
María Teresa Benjumea Llorente	Proprietary (Dominion)	01.01.14-31.12.14	-	-	78	-	-	-	-	-	78	78
Claudi Santiago Ponsa	Proprietary (Dominion)	01.01.14-31.12.14	-	-	70	-	-	-	-	-	70	62
Ignacio Solís Guardiola	Proprietary (Dominion)	01.01.14-31.12.14	-	-	78	-	-	-	-	-	78	78
Fernando Solís Martínez-Campos	Proprietary (Dominion)	01.01.14-31.12.14	-	-	78	-	-	-	-	-	78	78
Carlos Sundheim Losada	Proprietary (Dominion)	01.01.14-31.12.14	-	-	78	-	-	-	-	-	78	78
<b>Total</b>			<b>2,622</b>	<b>202</b>	<b>1,692</b>	<b>10,719</b>	<b>-</b>	<b>520</b>	<b>-</b>	<b>2</b>	<b>15,757</b>	<b>15,359</b>

Note (1): Represented by José B. Terceiro Lomba

Note (2): From 06.04.2014

As has been described in previous sections, the Company has no share-based or long-term savings-based system of remunerations. Neither has it granted advances, credits or bonds to any board members.

By virtue of their condition as Abengoa employees, during the financial year the Company disbursed €2 (in thousands of Euros) in purchasing life insurance premiums for the following executive board members:

Name/ Typology	2014 Financial year	2013 Financial year
Felipe Benjumea Llorente/Executive	1	1
Manuel Sánchez Ortega/Executive	1	1

**B) Remunerations received by board members of Abengoa SA for serving on boards of other companies of the group (in thousands of Euros):**

Name	Typology	Period of accrual 2014 Financial Year	Salary	Fixed Remuneration	Per diem (allowance)	Short-term variable remuneration	Long-term variable remuneration	Remuneration for serving on Board of Directors Committees	Compensation	Other items	Total 2014 Financial year	Total 2013 Financial year
Javier Benjumea Llorente	Executive	01.01.14-31.12.14	-	-	52	-	-	-	-	-	52	38
María Teresa Benjumea Llorente	Proprietary (Dominion)	01.01.14-31.12.14	-	-	24	-	-	-	-	-	24	24
<b>Total</b>			-	-	<b>76</b>	-	-	-	-	-	<b>76</b>	<b>62</b>

Abengoa has no share-based or long-term savings-based system of remunerations. Neither has the Company granted advances, credits or bonds to any board members, or paid any amounts in concept of life insurance premiums.

**C) Summary of the remunerations (thousands of €):**

Name	Typology	Remuneration accrued in the Company				Remuneration accrued in other Companies of group				Total		Contribution to savings system during financial year
		Total cash Remuneration	Amount of shares awarded	Gross benefit of options exercised	Company total 2014 Financial year	Total cash Remuneration	Amount of shares awarded	Gross benefit of options exercised	Group total 2014 Financial year	Total 2014 Financial year	Total 2013 Financial year	
Felipe Benjumea Llorente	Executive	4,484	-	-	4,484	-	-	-	-	4,484	4,484	-
Aplidig, S.L. (1)	Executive	3,099	-	-	3,099	-	-	-	-	3,099	3,099	-
Manuel Sánchez Ortega	Executive	4,484	-	-	4,484	-	-	-	-	4,484	4,484	-
Javier Benjumea Llorente	Executive	2,050	-	-	2,050	52	-	-	52	2,102	1,870	-
José Borrell Fontelles	Independent	300	-	-	300	-	-	-	-	300	300	-
Mercedes Gracia Díez	Independent	200	-	-	200	-	-	-	-	200	200	-
Ricardo Martínez Rico	Independent	130	-	-	130	-	-	-	-	130	136	-
Alicia Velarde Valiente	Independent	150	-	-	150	-	-	-	-	150	150	-
Ricardo Hausmann (2)	Independent	178	-	-	178	-	-	-	-	178	-	-
José Joaquín Abaurre Llorente	Proprietary (Dominion)	150	-	-	150	-	-	-	-	150	150	-
José Luis Aya Abaurre	Proprietary (Dominion)	150	-	-	150	-	-	-	-	150	150	-
María Teresa Benjumea Llorente	Proprietary (Dominion)	78	-	-	78	24	-	-	24	102	102	-
Claudi Santiago Ponsa	Proprietary (Dominion)	70	-	-	70	-	-	-	-	70	62	-
Ignacio Solís Guardiola	Proprietary (Dominion)	78	-	-	78	-	-	-	-	78	78	-
Fernando Solís Martínez-Campos	Proprietary (Dominion)	78	-	-	78	-	-	-	-	78	78	-
Carlos Sundheim Losada	Proprietary (Dominion)	78	-	-	78	-	-	-	-	78	78	-
<b>Total</b>	-	<b>15,757</b>	-	-	<b>15,757</b>	<b>76</b>	-	-	<b>76</b>	<b>15,833</b>	<b>15,421</b>	-

Note (1): Represented by José B. Terceiro Lomba

Note (2): From 06.04.2014



## D.2 Relation between Remunerations and Results of the Company

- › The essential reference for the variable annual remuneration is the evolution of EBITDA, whether for Abengoa in general or, for executive board members holding non-general responsibilities, commensurate with the degree of responsibility.
- › At the end of the financial year this basic quantitative element will be considered together with other qualitative elements, which may vary from year to year, and may allow the decision to be based on the actual amount of the variable remuneration at that moment.
- › Based on the criteria established for determining the annual bonus, it is paid in proportion to the degree of how they are met.

## D.3 Result of Consultative Voting of the Shareholders' General Meeting on the Annual Report on Remunerations of the Previous Financial Year

	Number	% over total
Votes cast	6,585,017,159	72.185%

	Number	% of votes cast
Votes cast	539,386,830	8.190%
Votes in favour	5,288,312,907	80.310%
Abstentions	757,317,422	11.500%

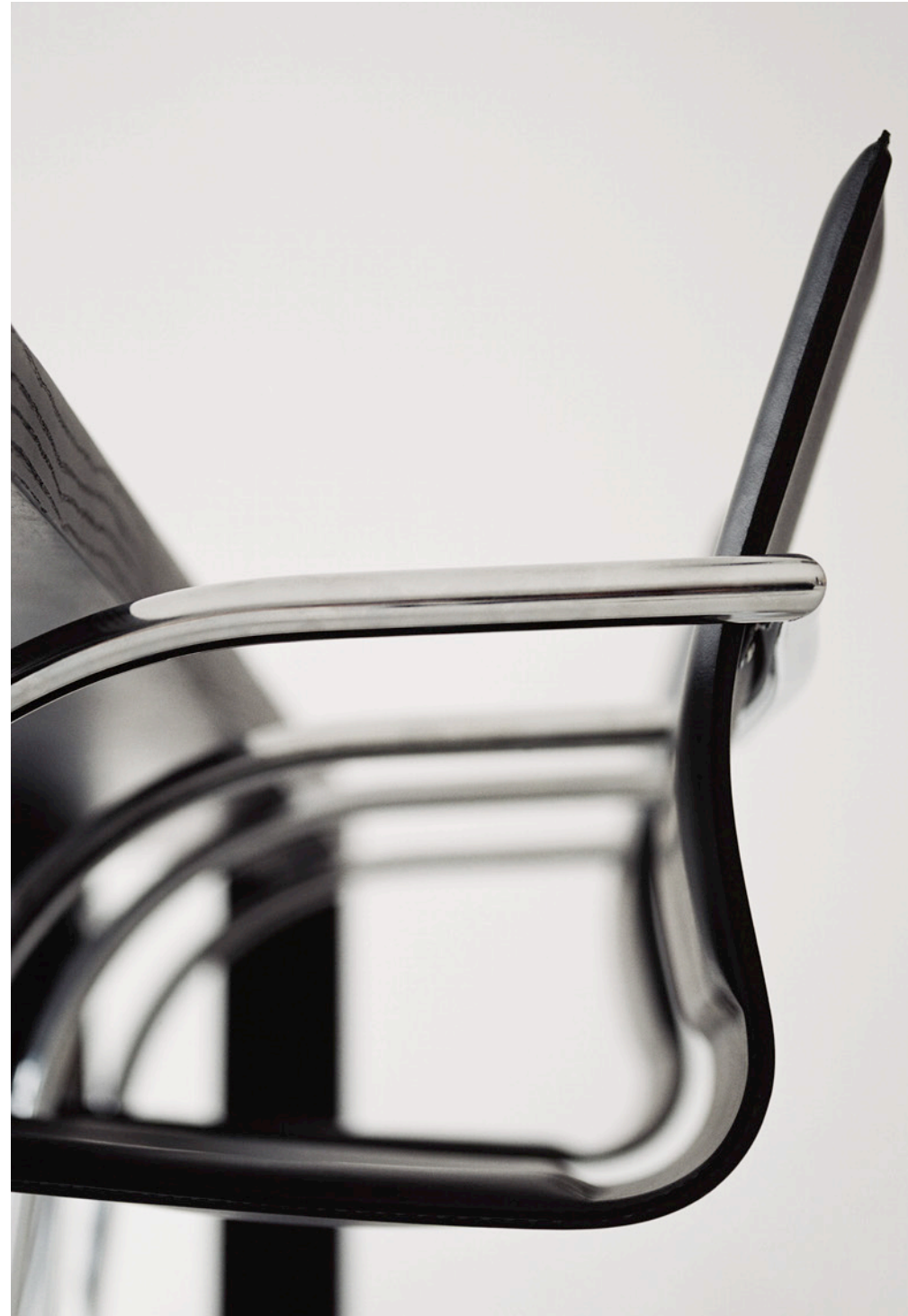
## E. Other information of interest

Regarding the remunerations policy applied at Abengoa, there are no other relevant elements than those already outlined in previous sections of this report.

This Annual Remunerations Report was unanimously approved by the company's Board of Directors at its meeting held on February 23, 2015.

# 06 Audit Commission Activity Report

Integrated activities report  
of the Audit and Appointments  
Commissions of Abengoa S.A. for 2014



## 1. Introduction

The Audit Commission was created by the Board of Directors of Abengoa, S.A. on December 2, 2002 in accordance with art. 44 of the Bylaws with a view to incorporating the provisions of Act 44/2002 on Reform Measures of the Financial System (Ley 44/2002) relating to Audit Commissions. Abengoa also has a corporate governance system in place that remains compliant at all times with applicable law and best practices.

The Audit Commission Activity Report for the year 2014 has been approved at the meeting held by the Audit Commission on February 9, 2015, and presented to the Board of Directors on February 23, 2015. It will then be made available to the company's shareholders on occasion of the publication of Abengoa's annual report and, at the latest, by the time the General Shareholders Meeting is announced.

## 2. Composition of the Audit Commission

The Internal Regulations of the Audit Commission were approved by the Board of Directors on February 24, 2003 and contain the following provisions:

### 2.1 Composition, appointments and member profiles

The Audit Commission will have a permanent and minimum membership of three directors. At least two of these must be non-executive directors, thus maintaining the majority of non-executive members envisaged under the aforementioned Act 44/2002.

Members will be appointed to office for a maximum term of four years, which may be renewed for further four-year maximum terms.

The Commission changed its composition during 2014 to reflect the requirements of the corporate governance regulations applicable to listed companies in the USA.

Under Section 301 of the Sarbanes-Oxley Act (SOX), all Audit Commission members must be independent directors.

Furthermore, Section 407 of SOX requires at least one member of the Commission to be a qualified financial expert.

The Audit Commission is formed by non-executive directors and its current composition, together with the date on which each member was appointed, is as follows:

Chairman	Prof. Mrs. Mercedes Gracia Díez	Independent	December 12, 2005
Vocal	Prof. Mr. José Borrell Fontelles	Independent	November 19, 2013
Vocal	Mrs. Alicia Velarde Valiente	Independent	February 23, 2011
Vocal	Mr. Antonio Fornieles Melero	Independent	January 19, 2015
Secretary	Mr. Daniel Alaminos Echarri	Non-member secretary	September 15, 2014

On September 15, 2014, and due to the intensification of their other professional duties, José Joaquín Abaurre Llorente y Ricardo Martínez Rico resigned as non-executive members of the Audit Commission; furthermore, Miguel Angel Jimenez-Velasco Mazarío on the same date, resigned as Secretary of the Audit Commission assuming the chairmanship of Daniel Alaminos Echarri. The Audit Commission wishes to express its appreciation for the work done during the past years.

Likewise, Antonio Fornieles Melero, in January 2015, was appointed as member of the Audit Commission, second Vice President and Chief Coordinator of Abengoa, a position he currently holds.

Following the aforementioned changes, Abengoa's Audit Commission now solely consists of independent directors.

#### **Prof. Mrs. Mercedes Gracia Díez**

Professor of Econometrics at the Universidad Complutense de Madrid and the Centro Universitario de Estudios Financieros. She has published many scientific publications in the Journal of Business and Economic Statistics, Review of Labor Economics and Industrial Relations, Applied Economics and Journal of Systems and Information Technology. She was manager of the Balance-Sheet Management Department at Caja Madrid from 1996 to 1999 and responsible for the economics and law division of the National Evaluation and Foresight Agency (Agencia Nacional de Evaluación y Prospectiva) from 1993-1996.

#### **Prof. Mr. José Borrell Fontelles**

Professor at the Chair of foundations of Economic Analysis, Madrid Complutense University. Graduated from the Higher Technical School of Aeronautic Engineering, Madrid Polytechnic University, PhD in Economic Sciences, Madrid Complutense University, Master in Operations Research at the Stanford University, Master in Energy Economics at the Paris French Petroleum Institute. He worked as an engineer at the Spanish Petroleum Company (1972-1981). From 1982 until 1996 he was appointed Budget General Secretary, Secretary of State for Finance, Minister for Public Works, Transport, Telecommunications and Environment. During the first half of the 2004-2009 legislature he was elected President of the European Parliament and in the second half Chairman of the Development Commission.

#### **Mrs. Alicia Velarde Valiente**

Earned her honors degree in law from the San Pablo Center for University Studies attached to Universidad Complutense. She has been a member of the Spanish notary association since April of 1991. Since then, Alicia has worked at various notary's office and has been at her current post in Oropesa (Toledo) since 2001. During the 1994-1995 academic year, she started to give classes in civil law at Universidad Francisco de Vitoria and continued to do so until 1999. She maintains close ties with the university today, and has been a lecturer in canon law under the doctorate program since 1999.

#### **Mr. Antonio Fornieles Melero**

Graduated in economics and business studies from Universidad Complutense de Madrid and holds a diploma in senior management and business administration from the Instituto Internacional San Telmo Business School.

Antonio has spent almost his entire career in the audit sector, from 1983 to 2014. He joined the Spanish Institute of Chartered Accountants in 1987 and was made a partner in KPMG in 1994. He was subsequently appointed to the KPMG board, responsible for the audit function in KPMG España and COO of the audit function globally. He is president of the Madrid and Castilla la Mancha division of the Spanish Institute of Chartered Accountants and was a member of the national management Commission and plenary council of this institution from 2006 to 2014.

He has been a lecturer in the faculty of economics and business studies at the University of Cádiz, and a regular speaker and lecturer in various universities and corporations on issues related to financial reporting, business management, corporate governance and ethics.

#### **Mr. Daniel Alaminos Echarri**

Law degree specializing in business law from Universidad San Pablo CEU. He has been a state attorney since 1996 and is the General Secretary of Abengoa and Secretary of its Board of Directors.

Held various previous positions, including General Counsel of SEPI, the Spanish holding group for state-owned companies. Prior to joining Abengoa in 2014, Daniel was a partner in the capital markets division of the law firm Ramón y Cajal Abogados. He also has experience of restructuring savings banks, capital increases and restructuring major

real estate and industrial groups, as well as advising on a wide range of issues, especially financial, technological and industrial matters.

## 2.2. Chairman and Secretary

The Audit Commission shall initially elect one of its non-executive directors as Chairman.

The Secretary to the Board of Directors shall act as Secretary to the Audit Commission.

## 2.3. Powers and duties of the Audit Commission

In accordance with its internal regulations and the external regulations applicable to it, specifically Law 44/2002 on financial system reform measures, the functions and responsibilities of the Audit Commission are as follows:

- › To report on the annual accounts and half-yearly and quarterly financial statements that must be submitted to regulatory bodies and market watchdogs. With mention made of the internal control systems, the control mechanisms to monitor implementation and compliance through internal audit procedures and, where appropriate, the accounting principles applied.
- › To report to the Board of Directors on any changes in accounting principles, balance sheet risk and off-balance sheet risk.
- › To report to the General Shareholders Meeting on those matters raised by shareholders that fall within its remit.
- › To propose the appointment of the external financial auditors to the Board of Directors, for subsequent referral on to the General Shareholders Meeting.
- › To oversee internal audit services. The Commission will enjoy full access to internal auditing and shall report on the process of selection, appointment, reappointment, removal and remuneration of the internal audit director and on the department's budget.
- › To be fully aware of the company's financial information reporting process and internal control systems.
- › To liaise with the external audit firm so as to receive information on any matters that could jeopardize the latter's independence and any other matters relating to the financial auditing process.
- › To summon directors to Commission meetings, at its discretion, in order to report on any such matters the Audit Commission deems fit.
- › To draw up an annual report on the activities of the Audit Commission, which must be published along with the annual accounts for the fiscal year.

# 3. Activities performed during 2014

## 3.1. Meetings

The Audit Commission met seven times during 2014, attended by all of its members on each occasion. The Commission has issued the corresponding reports, prior to approval by the board of directors, relating to the financial information to be submitted to the regulators (the CNMV, National Securities Market Commission; and the SEC, Securities and Exchange Commission), as well as the reports relating to approval of the conditions of the asset sales between Abengoa and Abengoa Yield, in accordance with the procedures for authorizing and supervising related transactions between these companies.

### Madrid, February 18, 2014

- › Financial information relating to the fourth quarter of 2013.
- › Presentation by the external auditor of the conclusions of the 2013 audit.
- › Summary of the evaluation of SOX internal control deficiencies carried out by the company.
- › Monitoring of the Internal Audit Plan 2013/2014.
- › Monitoring of the fees for external audit and consultancy services in 2013.
- › Information about finalized/planned related transactions in the coming months.
- › Information about the whistleblower channel policy.
- › Approval of the Commission's activity report for 2013.
- › Conclusions of the compliance review of the Group's financing covenants.
- › Conclusions of the verification work on the recoverability of Group assets.

### Madrid, May 13, 2014

- › Financial information relating to the first quarter of 2014.
- › Monitoring of the Internal Audit Plan 2013/2014.
- › Monitoring of consultancy fees with the "Big Four" in 2014.
- › Information about finalized/planned related transactions in the coming months.
- › Information about the whistleblower channel policy.
- › Monitoring of the Abengoa Yield IPO in the USA.
- › Conclusions of the compliance review of the Group's financing covenants.
- › Evaluation of the services provided by the external auditor in subsidiary companies.

**Madrid, July 30, 2014**

- › Financial information relating to the first half of 2014.
- › Presentation by the external auditor of the conclusions of the Limited Review as at June 30, 2014.
- › Monitoring of the internal audit plan 2014.
- › Monitoring of the fees for external audit and consultancy services in the first half of 2014.
  
- › Information about the whistleblower channel policy.
- › Renewal of the pre-approval policy for tasks carried out by the auditor.
- › Conclusions of the compliance review of the Group’s financing covenants.
- › Status of the verification work regarding the recoverability of Group assets.

**Madrid, August 11, 2014**

- › Financial information relating to the first half of 2014.
- › Auditor’s conclusions of the Limited Review as at June 30, 2014.

**Madrid, September 20, 2014**

- › Analysis of the proposed acquisition by Abengoa Yield of assets belonging to Abengoa S.A. or companies in its group, under the ROFO procedure.

**Madrid, November 5, 2014**

- › Financial information relating to the third quarter of 2014.
- › Presentation by the external auditor of the conclusions of the Limited Review as at September 30, 2014.
- › Monitoring of the internal audit plan 2014.
- › Monitoring of the fees for external audit and consultancy services in 2014.
- › Information about the whistleblower channel policy.
- › Proposal to renew the external audit contract for 2015.
- › Conclusions of the compliance review of the Group’s financing covenants.
- › Status of the verification work regarding the recoverability of the Group’s R&D assets.

**Madrid, December 5, 2014**

- › Examination of the proposal to modify certain agreement signed with Abengoa Yield



### 3.2. Main activity areas of the Audit Commission

Meeting its primary function of providing support to the Board of Directors, the main activities discussed and analyzed by the Audit Commission can be grouped into the following different areas of competency:

#### 1. External audit and Financial Reporting

- › Appointment and compensation
- › Scope of the engagement
- › Independence requirements
- › Significant audit points
- › Assessment of the performance of external auditors
- › Periodic Reporting to the regulator (CNMV & SEC)
- › Suitable accounting policies
- › Other requirements

#### 2. Internal audit

- › Bylaws, responsibility and resources
- › Scope of the work
- › Implementation of recommendations
- › Efficiency of internal audit function

#### 3. Risks and internal control

- › Analysis of main risk areas
- › Efficiency of implanted controls
- › Risk of fraud

#### 4. Corporate governance

- › Maintenance and gauging the effectiveness of control bodies
- › Communication and financial reporting
- › CSR activities
- › Compliance with ethical rules and concerns
- › Conflicts of interest
- › Related party transactions
- › Monitoring whistleblower channel

## 4. Tasks and Responsibilities

### 4.1. External audit and Financial Reporting

The tasks carried out by the Audit Commission in relation to the external audit and the company's financial reporting are summarized in the following table:

#### Monitoring of services

- › Reviewing services received by the external auditor, audit team, along with services rendered and fees
- › Looking into audit offers, focusing on services, strategies, terms of engagement and fees
- › Reviewing the independence of the auditor and its experience, including dealing with the auditor and a performance assessment.

#### Planning of the external audit

- › Getting familiar to the external audit itself.
- › Understanding what the company expects from the auditor, type of services, time frames and information requirements.
- › Examining the track records and experience of the audit team
- › Appreciating that main area of risk will be tackled during the audit.

#### Good governance practices

- › Being aware of any difficulties found in performing the audit, restrictions on access to information.
- › Being informed of internal control deficiencies, fraud, and illegal acts
- › Updates on issues that affect the independence of external auditors, including plans to rotate the principal audit partner.

#### Financial reporting

- › Reviewing audited financial statements
- › Being informed and even discussing key findings of the audit and significant accounting policies, audit opinions, and quality of financial information.
- › Discussing any incidents detected with the management
- › Separated meetings with external auditor.

During 2012, the Board of Directors and the General Meeting of shareholders approved the appointment of Deloitte as auditor of the financial statements of Abengoa and the consolidated financial statements of Abengoa and its subsidiaries for the year ended December 31, 2012 and the two following years. This appointment was also endorsed by the audit Commissions, boards of directors and general meetings or assemblies shareholders of the relevant group companies.

In addition, other firms collaborate in performing the audit, especially in small companies both in Spain and abroad, although the scope of their work is not significant for the group overall.

The Audit Commission’s functions include ensuring the independence of the external auditor, proposing the appointment or renewal thereof to the Board of Directors and approving its fees.

SOX (Sarbanes-Oxley Act) internal control audit work has been assigned to these same audit firms following the same criteria. This is because, according to PCAOB (Public Accounting Oversight Board) rules, the firm that issues the opinion on the financial statements must also be the firm that evaluates internal control processes over the preparation of the these same statements, given that this internal control is a key factor in “integrated audits”.

Abengoa follows a policy of having an external annual audit performed on all group companies, even if they are not obliged to do so because they do not meet the legal requirements.

A total of 20 new companies have been audited this year round, more than 85% of which are being audited by one of the four main international audit firms or “Big Four”.

The following table provides a breakdown of the global fees agreed upon with the external auditors for the 2014 audit, including reviews of periodic reporting and the SOX audit:

Geography	Firms	Fees (€)	Companies
Spain	Deloitte	2,677,259	95
	PwC	-	-
	Other firms	27,785	4
Out of Spain	Deloitte	2.840,107	176
	PwC	100,936	4
	Other firms	198,388	25
<b>Total</b>		<b>5,844,476</b>	<b>304</b>

When assigning non-audit work to any of the “Big Four” audit firms, the company has a prior verification procedure in place so as to detect any possible incompatibilities that would prevent the firm from performing the work under the rules of the U.S. SEC (Securities Exchange Commission) or Spanish ICAC (Instituto de Contabilidad y Auditoría de Cuentas).

Additionally, Abengoa’s condition like entity registered in Nasdaq forces us to carry out with the procedures established by the regulators of the mentioned market and concretely with the Law Sarbanes Oxley, developed later by the Securities and Exchange Commission (SEC). In this respect, the Audit Commission must pass in advance to his provision, all the services contracted with the auditor. During 2013 there have pre-be approved by the Commission the following services given by the external auditor:

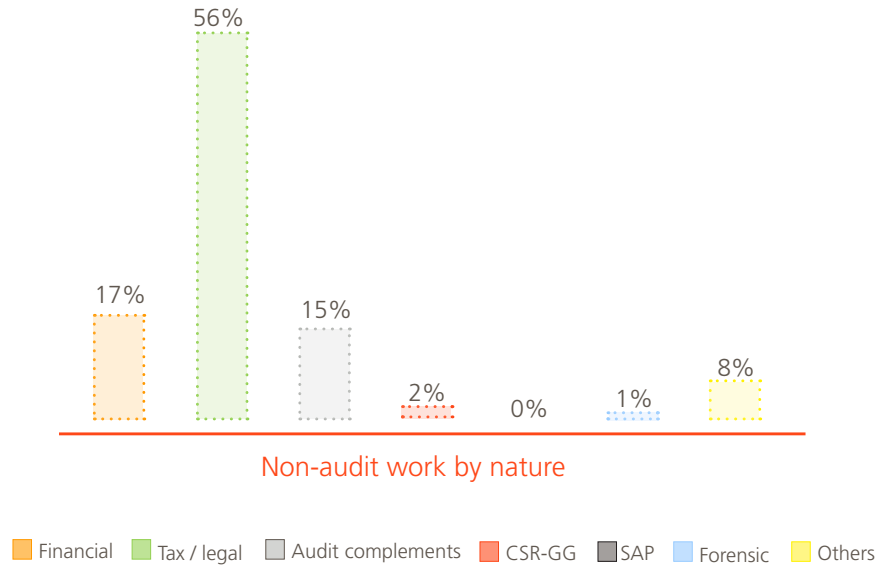
- › Audit services (audit reports, limited reviews, comfort letters, etc.)
- › Services related to the audit (Due Diligence, report RSC, etc.)
- › Fiscal Services
- › Others (courses, seminars, etc.)

The following table reveals the fees payable to the Big Four audit firms for non-audit work performed in 2014:

Firm	Fees (€)
Deloitte	2,396,004
PwC	2,857,894
KPMG	4,082,264
Ernst & Young	1,014,050
<b>Total</b>	<b>10,350,212</b>



The following table reveals the fees payable to the Big Four audit firms for non-audit work performed in 2014:



Like in past years, during 2014 a survey was conducted on the satisfaction with the service received from the main auditor during the 2013 audit. A series of conclusions have been drawn from this survey and will help to improve the work carried out jointly with the external auditor.

The Audit Commission is, furthermore, responsible for supervising the results of the work of the external auditors. Therefore, it is promptly informed of their conclusions and of any incidents noted in their audits.

When required to do so, the external auditor has attended Audit Commission meetings to report on its areas of competency, which are essentially the following:

- › Reviewing the financial statements of the consolidated group and its component companies and issuing an audit opinion thereon.

- › Evaluation of the internal control system and issuance of an audit opinion under PCAOB (Public Company Accounting Oversight Board) standards, (SOX -Sarbanes-Oxley Act- compliance).
- › Matters of special interest for certain matters or specific or significant transactions, the external auditor is required to provide its opinion on the criteria adopted by the company so as to reach a consensus.
- › Independent verification reports prepared by external auditors.

Thus, external auditors issued 7 reports in 2014, all forming an integral part of the annual report:

- › Audit report on the consolidated accounts of the group, in accordance with applicable law.
- › Voluntary audit report on internal control compliance under PCAOB (Public Company Accounting Oversight Board) standards, pursuant to the requirements imposed by section 404 of the Sarbanes-Oxley Act (SOX).
- › Voluntary reasonable assurance audit report on the Corporate Governance Report, with Abengoa being the first listed company in Spain to obtain a report of this nature.
- › Voluntary reasonable assurance audit report on the Corporate Social Responsibility Report.
- › Voluntary audit report on the design and application of the Risk Management System pursuant to ISO 31000 standards.
- › Voluntary verification report in the areas of corruption.
- › Verification report on the allocation of funds obtained from the issuance of the "Green Bond".

## 4.2. Internal Audit

The Audit Commission’s functions include “supervision of the internal audit service” and “awareness and knowledge of the financial reporting process, internal control systems and the risks for the company”.

In order to oversee the sufficiency, suitability and efficient working of the internal control and risk management systems, the Commission received regular information in 2014 from the head of internal audit in relation to:

- › The annual internal audit plan and the degree to which it had been met: progress and conclusions on the internal audit work performed, which essentially comprises the tasks of auditing financial statements, internal control SOX audits, common management systems audits, reviews of critical projects and construction work, and reviews of special areas, among others.
- › The degree of implementation of issued recommendations.
- › A description of the main areas reviewed and the most significant conclusions, which include audited and sufficiently mitigated risks.
- › Other more detailed explanations requested by the Audit Commission.

During 2014, the Audit Commission recorded and supervised the performance of 631 tasks by the internal audit department. The tasks not included under the Plan related principally to general reviews of companies and projects that had not been envisaged in the initial planning.

	<b>2013</b>	<b>2014</b>
Work undertaken	533	631
Recommendations issued	388	444

As a result of the work performed, 444 recommendations were issued, most of which had been implemented by year end.

One factor that had a decisive impact on the number of recommendations issued was the performance of internal control compliance audits under PCAOB (Public Company Accounting Oversight Board) standards, in accordance with the requirements of section 404 of the Sarbanes-Oxley Act (SOX). Through COSO standards, have developed frameworks and guidelines on risk management company, internal control and detection of fraud designed to improve corporate governance and reduce the extent of fraud in organizations.

### Internal audit function at Abengoa

Internal audit function originated as an independent global function, reporting to the Audit Commission of the Board of Directors, with the principal objective of supervising Abengoa’s internal control and material risk management systems.

### Structure and team

Abengoa’s internal audit function is structured around seven functional areas:

1. Internal control audit
2. Financial audit
3. Projects audit
4. Concessions audit
5. Preventive fraud audit
6. Non-financial audit
7. Information systems audit

Additionally, each business group count with a responsible person in the audit department in order to participate in a coordinated way with the strategy definition, planning, and communication of recommendations.

Internal audit team is formed by 56 auditors, distributed among the different business groups.

- › The average age of Abengoa's internal audit team is currently around 31.
- › The gender distribution was 60% (men) and 40% (women) respectively.
- › Average length of professional experience is seven years.
- › Approximately 70 % of the auditors have prior experience in one of the "Big Four" external audit firms.

### Common Management Systems

The Audit Commission's main objectives concerning internal control over the preparation of financial reporting are:

- › Determining the risks of a possible material error in the financial reporting caused by fraud or possible fraud risk factors.
- › Analyzing the procedures for assessing the efficiency of internal control in relation to financial reporting.
- › Effectiveness of internal controls over the processes that affect Abengoa and its business groups.
- › Identifying material internal control deficiencies and weaknesses in relation to financial reporting and response capacity.
- › Supervising and coordinating any significant changes made to the internal controls related to the quarterly financial reporting.
- › Performing the quarterly processes of closing the financial statements and differences identified in relation to the processes performed at year end.
- › Rolling out plans and monitoring the actions implemented to correct the differences identified in the audits.
- › Measures to identify and correct possible internal control weaknesses in relation to the financial reporting.
- › Analyzing procedures, activities and controls that seek to guarantee the reliability of financial reporting and prevent fraud.

### Internal Control Model

Abengoa's internal control structure is based on the integrated internal control framework established in the latest model from COSO (Commission of Sponsoring Organizations of the Treadway Commission) and complies with the requirements established in Section 404 of the US Sarbanes-Oxley Act (SOX).

According to this framework, companies must:

- › Prepare annual objectives regarding the efficiency and effectiveness of operations, the reliability of financial reporting, legal compliance and safeguarding the company's assets.
- › Identify and evaluate the risks could comprise these objectives
- › Define control activities to minimize the impact of these risks; and
- › Implement supervision systems to evaluate the quality of this process.

All of the above requires the support of an effective control environment and feedback with an effective reporting and communication system.

The new framework broadens the risk outlook to include negative or positive events, in other words threats or opportunities; identification of a tolerance level for the risk; as well as dealing with these events using risk portfolios.

In February 2010, the Spanish National Stock Market Commission (CNMV) published a document titled "Internal Control over Financial Reporting in Listed Companies" (ICFR), which contains two new legal obligations that listed companies must meet from 2011 onwards:

- › Audit Commissions will be responsible for supervising financial reporting and the efficiency of the company's internal control and risk management systems.
- › Companies will have to report to the markets on their systems of internal control over financial reporting through the Annual Corporate Governance Report.

CNMV document is based on COSO and incorporates 87 recommended practices divided into five components areas:

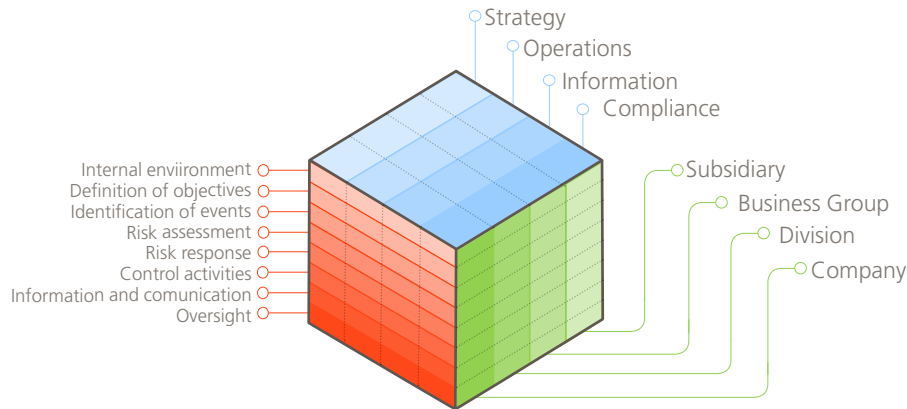
- > Internal control environment
- > Financial reporting risk assessment
- > Control activities
- > Information and communication, and
- > Supervision of system operation

Since 2007, Abengoa has been voluntarily submitting its internal control systems to external evaluation, with the issuance of an audit opinion under PCAOB standards and a compliance audit under section 404 of the Sarbanes-Oxley Act (SOX).

This means that Abengoa has been complying strictly with the reference indicators included in the Spanish CNMV's ISFR document for four straight years now.

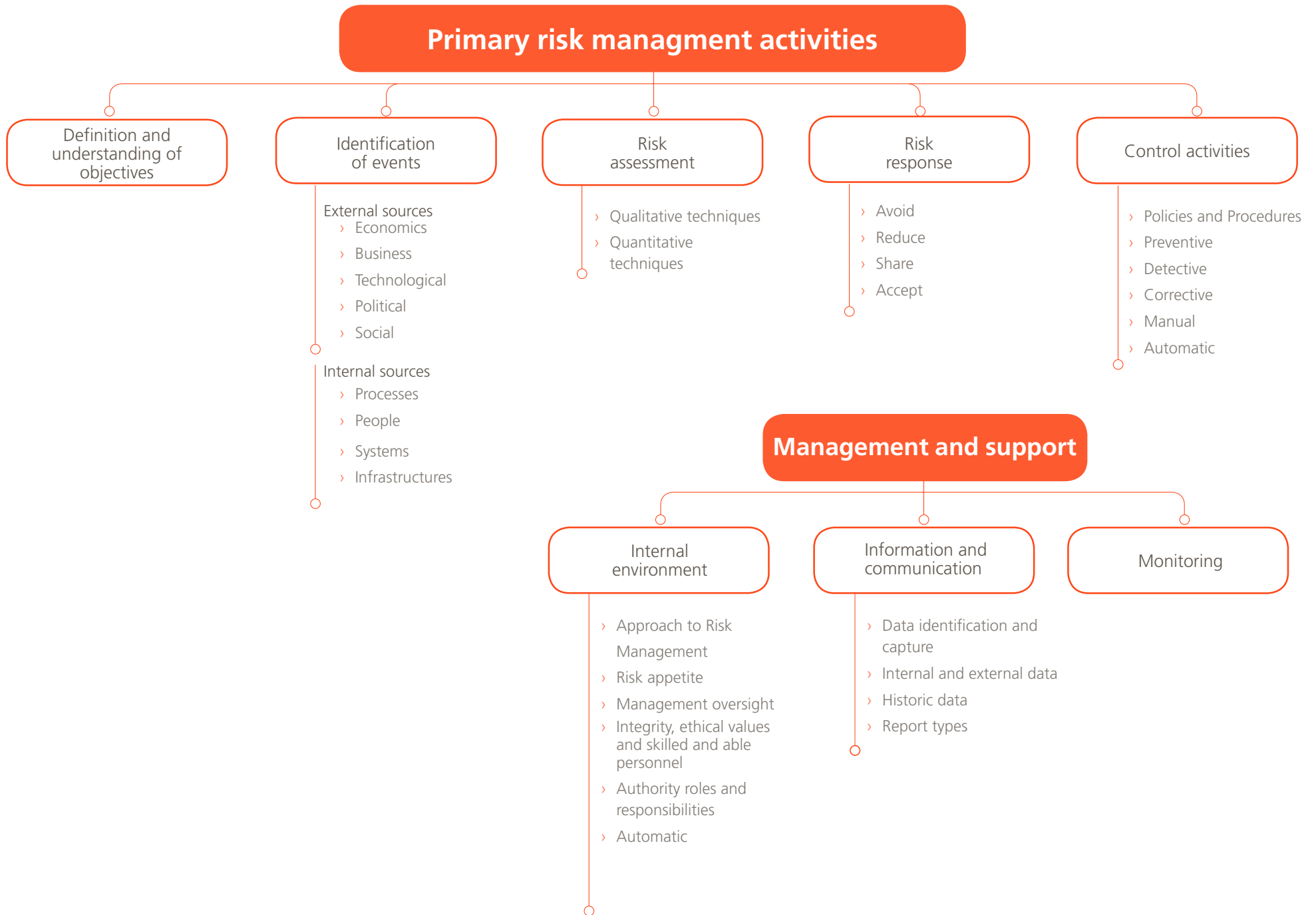
In forthcoming years, and principally with the consideration of being a company registered in NASDAQ, we will be faced with an environment characterized by greater regulatory requirements. In order to deal with this scenario, Abengoa considers risk management an indispensable activity and function for strategic decision making.

Abengoa is aware of the importance of managing its risks in order to carry out appropriate strategic planning and attain the defined business objectives. To do this, it applies a philosophy formed by a set of shared beliefs and attitudes, which define how risk is considered, starting with the development and implementation of the strategy and ending with the day-to-day activities.

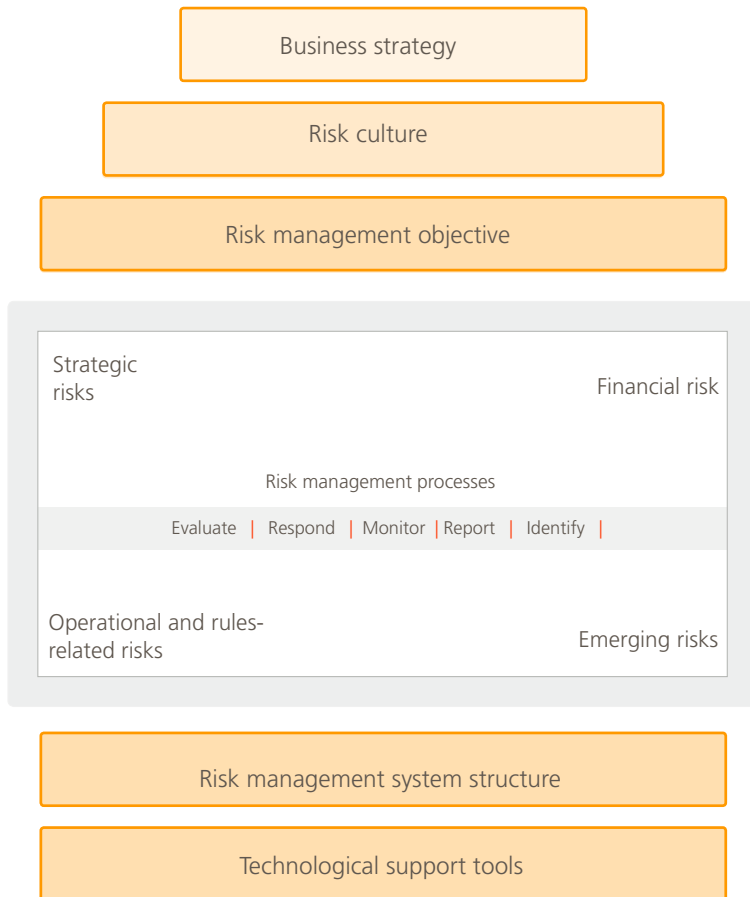


**Risk Management Model in Abengoa**

During 2014, Abengoa continued to grow, carrying on activities in more than 70 countries. To deal with this growth in a safe and controlled manner, Abengoa has a common business management system that allows it to work on an efficient, coordinated and consistent basis.



Abengoa's risk management system is shown in the following diagram



The risk management process at Abengoa is a continuous cycle based on five key phases, as shown in the previous diagram:

- > Identify
- > Evaluate
- > Respond
- > Monitor
- > Report

In each phase, regular and consistent communication is necessary in order to achieve good results. Since it is a continuous cycle, permanent feedback is necessary in order to achieve a constant improvement in the risk management system. These processes are addressed to all the company's risks.

Abengoa manages its risks using the following model, described in the company's risk management manual, which is intended to identify the potential risks of a business:

<b>Strategic risks</b>		
Governance	Strategic R&D projects	Mergers acquisitions & disinvestments
Resource planning and assignment	Market dynamics	Communication & investor relations
<b>Operational risks</b>		
Sales	Recursos humanos	Thereats or disasters
Supply chain	Tangible assets	Information technologies
<b>Financial risks</b>		
Markets	Accounting & reporting	Capital structure
Liquidity & credit	Taxation	
<b>Regulatory risks</b>		
Codes of ethics and conduct	Legislation	Regulator

Risk treatment and response criteria are contained within the common management systems and must be observed by all employees.

The responses designed and included within the different elements that make up the Abengoa’s risk management system pursue one of the following risk management scenarios:

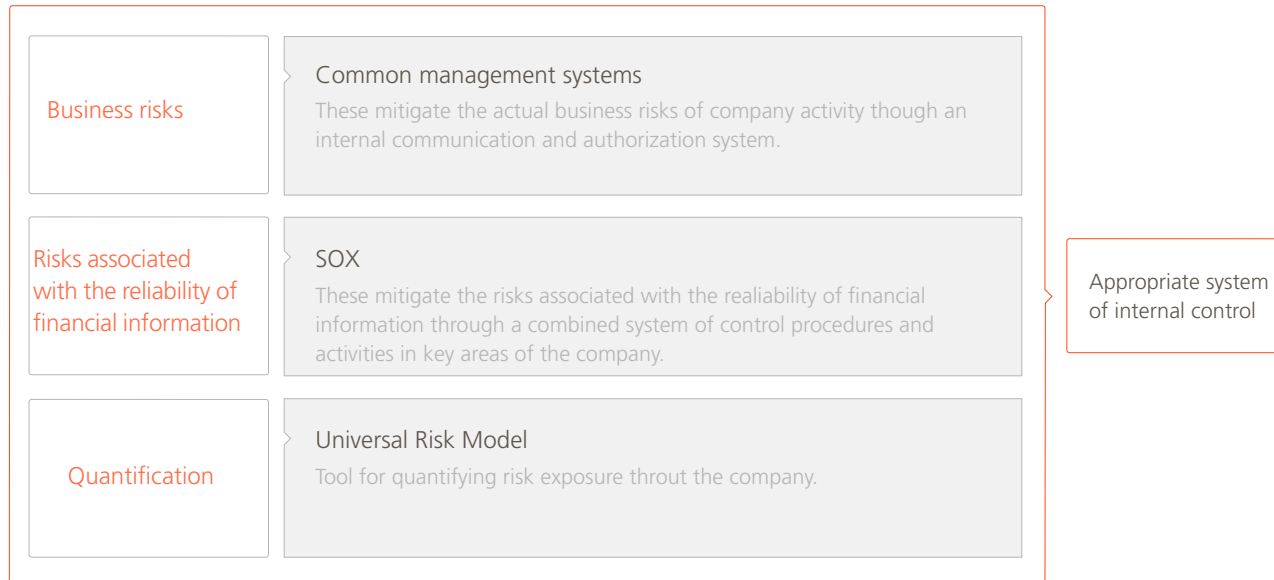
- › **Elimination:** the risk is completely eliminated.
- › **Reduction and control:** the aim here is to reduce the risk as much as possible by using strategic or safety measures (diversification of supply, quality systems, maintenance, prevention, etc.).
- › **Transfer to a third party:** the risk is transferred to a third party, so that Abengoa holds no responsibility for the risk, whether through an insurance company or another third party (supplier, subcontractor).
- › **Financial retention:** if it has not been possible to otherwise control the risk, it is eventually accepted.

**Analysis of the recoverability of assets and compliance with financial obligations**

Internal Audit currently reviews the results of the asset recoverability analyses carried out by the different departments for all major projects, including specifically concession assets, industrial production plants and intangible assets. See Note 2.8 of the “Consolidated Financial Statements”. Compliance with the obligations established in financing agreements is also verified on a quarterly basis.

4.3. Risks and Internal Control

Abengoa’s risk management model comprises three core elements:



Those elements combine to form an integrated system that enables the company to manage risks and controls suitably throughout all levels of the organization.

**A. Common management systems**

The common management systems are the internal rules for Abengoa and its business groups and are used to assess and control risk. They represent a common culture for managing Abengoa's businesses, sharing the accumulated knowledge while defining specific criteria and guidelines.

The common management systems include specific procedures for any type of action that could give rise to a risk for the organization, whether financial or non-financial. Furthermore, they are available to all employees in electronic format regardless of their geographical location or role.

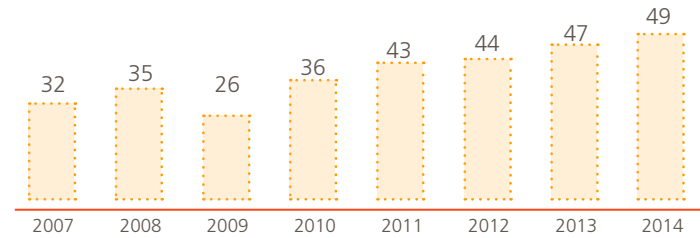
The functional heads of each division must verify and certify compliance with these procedures. This annual certification is issued by the Audit Commission in January of the following year.

The systems cover the whole organization at three levels:

- > All the business groups and areas of activity.
- > All levels of responsibility.
- > All kinds of operations.

Common management systems represent a common culture for Abengoa's different businesses and are composed of eleven rules defining how each of the potential risks included in Abengoa's risk model should be managed. Through these systems, the risks and the appropriate way of hedging against them are identified and the control mechanisms defined.

Over recent years, the common management systems have evolved to adapt to the new situations and environments in which Abengoa operates, with the overriding aim of reinforcing risk identification, covering risks and establishing control activities. The summary of annual updates is shown in the graph below:



**B. Compulsory procedures (SOX)**

The compulsory procedures are used to mitigate risks relating to the reliability of the financial information, employing a combined system of procedures and control activities in key areas of the company, which are intended to ensure the reliability of the financial information and prevent fraud.

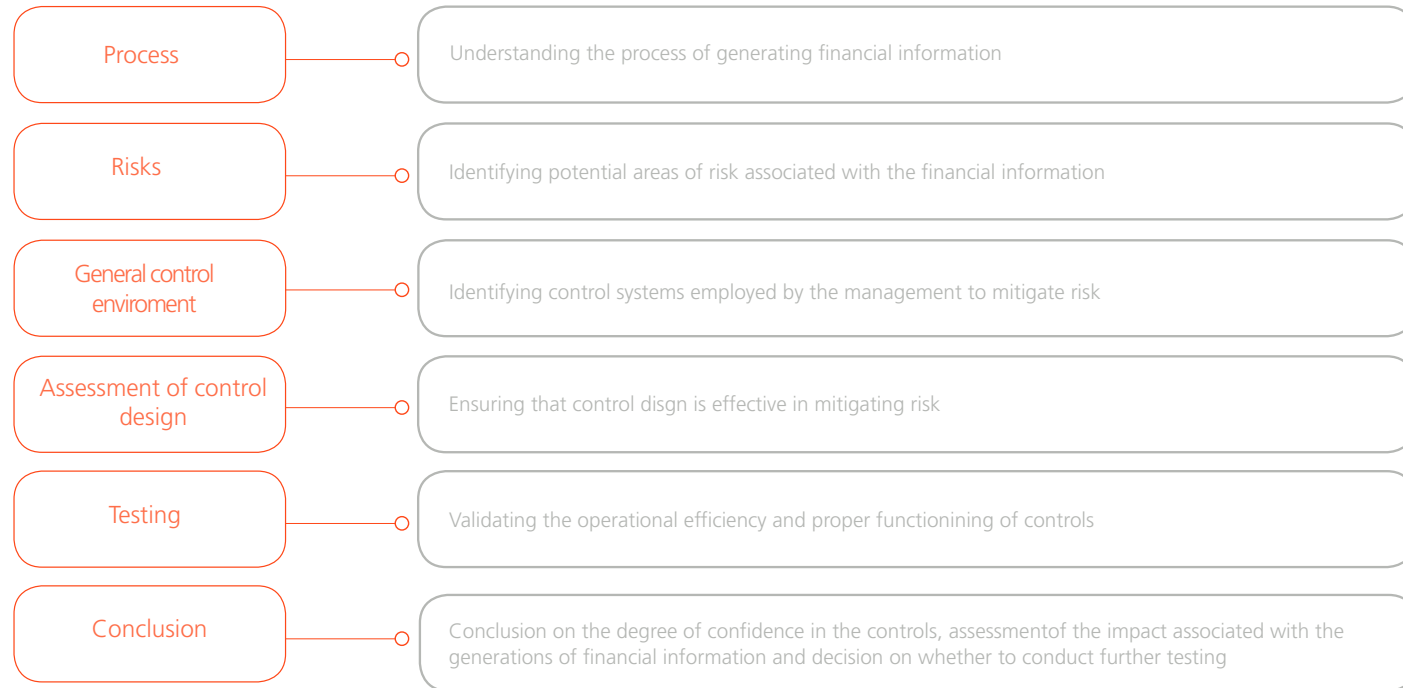
SOX is a compulsory law for all listed companies operating in the United States and is intended to ensure the reliability of the financial reporting of these companies and protect the interests of their shareholders and investors by establishing an appropriate internal control system. Thus, although none of the business groups is required to meet SOX requirements, Abengoa deems it necessary to comply with these requirements throughout all of its component companies, since these requirements complement the risk control model used by the company.

The company has implemented an appropriate internal control system that relies on three tools:

- > A description of the company's relevant processes that could impact the financial information to be prepared. In this regard, 55 management processes have been defined and grouped into corporate cycles and common cycles used throughout all the business groups.
- > A series of flow charts that provide a visual description of the processes.
- > An inventory of the control activities in each process to ensure attainment of the control objectives.



Our work comprises the following aspects:



At Abengoa, we have viewed this legal requirement as an opportunity for improvement and, far from being satisfied with the rules included in the Act, we have tried to develop and improve our own internal control structures, control procedures and the evaluation procedures in place.

This initiative arose in response to the swift expansion experienced by the group in recent years and projected future growth, the aim for us to continue preparing accurate, timely and complete financial reports for our investors.

In order to meet the requirements of section 404 of the SOX, Abengoa's internal control structure has been redefined following a "Top-Down" approach based on risk analysis.

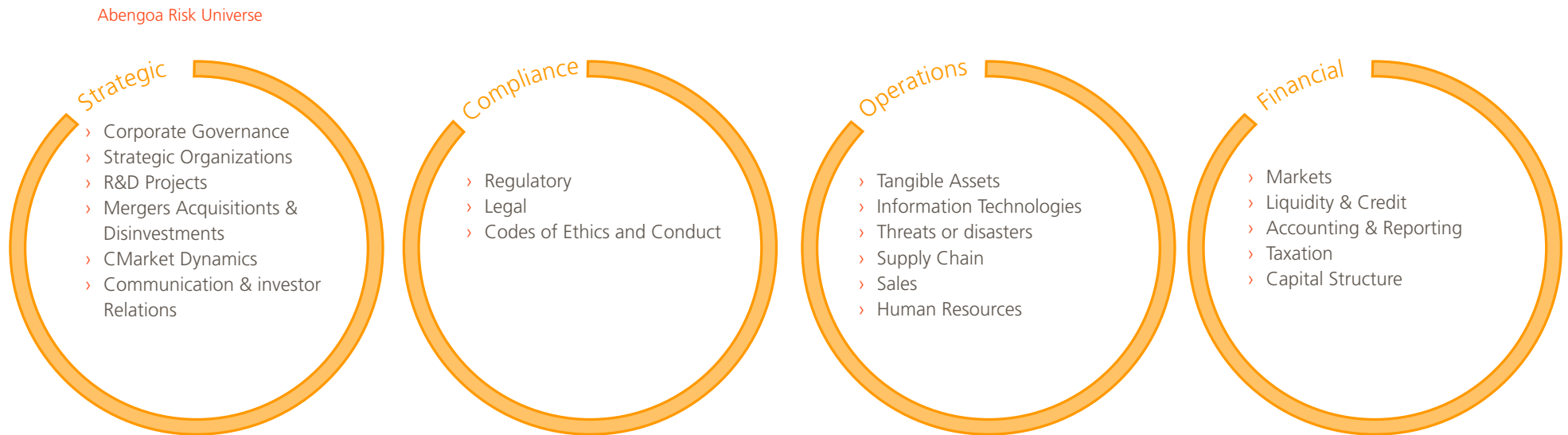
This risk analysis encompasses a preliminary identification of significant risk areas and an assessment of the company's controls over them, starting with top-level executives - corporate and

supervisory controls – then dropping to the operational controls present in each process.

**C. The universal risk model**

The universal risk model is the company's chosen methodology for quantifying the risks that compose the risk management system.

Abengoa's universal risk model is made up of 20 categories and a total of 56 principal risks for the business. Each categories are agrupated in four big areas (financial risks, strategic risks, compliance risks and operations risks).



Furthermore, the model is checked of periodic form. These updates are a joint responsibility of the department of internal audit, the management of risks and the people in charge of every indicator in every area. During the exercise 2014, two reviews of the model have been realized based on:

- > Probability of occurrence: Degree of frequency wich is possible to ensure that a particular cause will result an event with negative impact on Abengoa.
- > Impact on the Company: Set of negative effects on Abengoa's strategic objectives.

## 4.4. Governance and Compliance

### Self-assessment

Pursuant to Article 16.4.q) of the board of directors regulations, members of the Audit and Compliance Commission carried out their self-assessment at the meeting held on February 23, 2015, to evaluate the functioning of the Commission and the performance of the functions delegated to it by Abengoa's bylaws and the board of directors regulations.

Consequently, the Commission believes that it satisfactorily complies with its responsibilities, since it has met on sufficient occasions with meeting agendas that encompass all of the areas subject to its review, and has made extensive presentations of the different issues involved, all within a framework of an open debate without any type of restriction.

Company management implemented a code of professional conduct, the guiding philosophy of which is honesty, integrity and good judgment on the part of employees, managers and directors, as reflected in Abengoa's Annual Corporate Governance Report, which provides details of the company's governing structure, risk control systems, the degree to which recommendations on governance are followed and the reporting instruments; and in which the management's commitment to maintaining an appropriate internal control and risk management system, good corporate governance and ethical conduct on the part of the organization and its employees can be seen.

All departments, mainly human resources and internal audit, strive to ensure compliance with the code and notify management of any irregular conduct they may detect so that the appropriate measures can be adopted.

### Whistleblowing channel

The system of Abengoa's internal control is provided with diverse mechanisms and procedures that allow to mitigate the risk of fraud.

In this way, following the guidelines set out in section 301 of the Sarbanes-Oxley Act ("The Act"), the audit Commission of the board of directors of Abengoa S.A. ("the company") has agreed to establish procedures to:

- › The receipt, retention, and treatment of complaints received by the company

regarding accounting, internal accounting controls, or auditing matters;

- › The submission by employees of the company, on a confidential and anonymous basis, of good faith concerns regarding questionable accounting or auditing matters.
- › Therefore, Abengoa has two whistleblowing channels:
- › An internal channel, which is available to all employees, so that they can report any alleged accounting or audit irregularity or breaches of the code of conduct. Issues are reported by e-mail or post.
- › An external channel, available to anyone outside the company, so that they can report any alleged irregularities, fraudulent actions or breaches of Abengoa's code of conduct through the company's website ([www.abengoa.com](http://www.abengoa.com)).

Whistleblowing policy guarantees no reprisals for whistleblowers, who may submit complaints on a confidential basis. However, both the channel internal and external complaints may be sent on the basis of confidentiality for the complainant or anonymously.

This policy applies to any employee of the Group, consultants, or suppliers with direct relation and commercial interest or legitimate professional.

For each complaint received, a specific work is performed by the internal audit team. Within the internal audit department, Abengoa has a specific unit dedicated to the investigation of complaints received through the various channels and the implementation of preventive nature works on fraud. Besides, in cases that involve highly technical matters, the company secures the assistance of independent experts, thus ensuring at all times that it has the sufficient means of conducting a thorough investigation and guaranteeing sufficient levels of objectivity when performing the work.

### Foreign Corrupt Practices Act (FCPA)

The honesty, integrity and sound judgment of employees, executives and directors is essential to the company's reputation and success.

In pursuit of these principles, Abengoa adhered to the United Nations Global Compact in 2002. It upholds each of the ten principles enshrined in the initiative and works to integrate them fully into the strategy and policies governing the day-to-day running of the company. In relation to principle nº 10: "Businesses should work against corruption in all its forms, including extortion and bribery", Abengoa has various procedures in place to prevent any kind of corruption within the company.

In the fight against extortion, fraud and bribery, Abengoa upholds the provisions of the US Foreign Corrupt Practices Act (FCPA).

In particular, the FCPA criminalizes acts by companies and their executives, directors, employees and representatives to pay, promise, offer or authorize payment of anything of value to any foreign civil servant, foreign political party, heads of foreign political parties with the aim of achieving or maintaining business operations, or of obtaining any kind of improper gain. In conformity with FCPA, the payments realized to foreign civil servants indirectly generate legal responsibility as the payments realized in direct form. The Company or his civil servants or employees will be able to be considered to be responsible for the payments realized by commercial partners, as for example representatives of sales, advisers, agents, contractors, subcontractors, or others, in those cases in which the Company should realize a payment or should transfer another value to a commercial partner wittingly, or when motives for thinking should exist, of that it will be in use, in total or partial form, for realizing an undue payment to a foreign civil servant (this disposition is applied even in the cases in which the commercial partner is not subject to the FCPA). Also responsibility can exist in case the Company has knowledge of facts that suggest a "high probability" of which the commercial partner will deliver the totality or part of the value received to a foreign civil servant with a corrupt intention. In consequence, Abengoa will have to manage with precaution in his relations with commercial partners and have certain guarantee of which these will fulfill with all the laws anticorruption applicable.

The FCPA complements the requirements imposed by section 404 of the US Sarbanes Oxley Act (SOX). It applies all the actions realized by the commercial partners addressed to Abengoa and all his civil servants, the directors and employees of complete and partial time. This politics will be applied likewise to all the subsidiaries controlled by Abengoa. All the commercial partners who represent Abengoa (including advisers, agents, representatives of sales, distributors and independent contractors) and who interact with foreign civil servants in Abengoa's name will have to expire with all the pertinent parts of this politics.

#### **Protocol for Authorizing and Supervising related Transactions Between Abengoa, S.A. and Abengoa Yield plc.**

On May, 26, 2014 the Board of Directors of Abengoa, S.A. approved based on the proposal by its Audit Commission, the Protocol for authorizing and supervising related transactions between Abengoa, S.A. and Abengoa Yield plc., the "Protocol corporate governance of Abengoa, S.A.

The purpose of this Protocol is to govern the procedure for authorizing and supervising

the execution and implementation of transactions to transfer assets or provide services that are agreed between Abengoa and Yield.

This Protocol shall come into effect from the date of its approval and shall apply while Abengoa holds a position of special relevance in the share capital of Yield, and specifically until its holding has been reduced below the threshold of 50% and/or Abengoa loses the control over Yield as established in the commercial law.

All transactions between Abengoa and Yield included within the scope of application of this regulation, under the terms defined in Article 1.1, must have a favorable report from the Audit Commission prior to being submitted to the Board of Directors, and which establishes the following aspects:

- › The opportunity and suitability of the transaction for Abengoa.
- › The conditions of all the agreements, regardless of their nature, that have been signed between Abengoa and Yield in order to formalize or implement a Related Transaction, directly or indirectly via the companies of their respective groups. In general, and except for specific justifying circumstances, the agreements through which Abengoa and Yield agree to undertake a Related Transaction shall be documented in writing in one or several contracts that shall detail the terms and conditions applicable to the transaction in question or to the service being provided.
- › The essential elements (price, term and subject) of the aforementioned agreements, which must have been determined based on free-market criteria.
- › That the Related Transaction is carried out or performed by the party that is required to do so, directly or indirectly via the companies of its group, under market conditions, meaning that the recipient party shall not benefit from financial or any other conditions that are significantly more favorable than those that would be accepted by a third-party under substantially equivalent conditions or that could represent favorable treatment due to its status as a highly related party.
- › The appropriateness of providing Yield with any type of confidential information, ensuring that this information is effectively necessary to implement the agreement in question and that the necessary measures have been taken to safeguard the confidentiality of the information before it is disclosed.
- › That Related Transactions authorized by the corporate bodies of Yield have been approved with the abstention of the directors of Yield that, if appropriate, may have been appointed at Abengoa's request.

Abengoa and Yield shall duly notify the market about transactions carried out between them or between the companies of their respective groups, under the terms established in

## 5. Conclusions

### Compliance, composition and attendance

During 2014, the Audit Commission appropriately exercised the responsibilities assigned to it by the company's bylaws and the board of directors' regulations.

In accordance with best practices on corporate governance, and in particular with the requirements established by the regulations applicable to companies listed on the Nasdaq stock exchange (Rule 10A-3(b) of the Exchange Act), the Audit Commission has modified its composition and now solely consists of independent directors, in line with the aforementioned rule. Abengoa is committed to comply with this requirement within a period of one year starting from the admission to trading of its shares on the Nasdaq market, which occurred in October 2013.

The Commission's meetings in 2014 were attended by all its members.

### Functions and activities

The Commission has had continuous contact with the chief compliance officer, the internal audit manager, the reporting manager, the joint-CFO, the investor relations manager and the corresponding managers from Abengoa's other divisions, as well as the accounts auditor, and has been able to verify the quality and transparency of the Group's regular financial reporting and the effectiveness of its internal control systems.

The monitoring of the accounts auditor's work, the review of its conclusions and the evaluation of its independence by the Commission has been carried out in accordance with the established policies. The positive conclusions reached by the accounts auditor regarding the Group's financial statements confirm the quality of the Group's financial reporting and internal control systems mentioned above.

Lastly, the Commission has expressed its agreement with the internal processes established to ensure correct compliance with prevailing legislation and the Group's internal policies, rules and procedures.

The Commission is satisfied with the work carried out by the internal audit services supervising the compliance, effectiveness and efficiency of the internal control systems, and the reliability and quality of the Group's financial reporting.

Given the international nature of the company –due to its listing on the US stock exchange (Nasdaq) and because it carries out a large part of its business in international markets– Abengoa applies the rules and best practices on transparency and good corporate governance. Abengoa's annual report includes seven independent verification reports:

- › Audit report on the consolidated accounts of the group, in accordance with applicable law.
- › Voluntary audit report on internal control compliance under PCAOB (Public Company Accounting Oversight Board) standards, pursuant to the requirements imposed by section 404 of the Sarbanes-Oxley Act (SOX).
- › Voluntary reasonable assurance audit report on the Corporate Governance Report, with Abengoa being the first listed company in Spain to obtain a report of this nature.
- › Voluntary reasonable assurance audit report on the Corporate Social Responsibility Report.
- › Voluntary audit report on the design and application of the Risk Management System pursuant to ISO 31000 standards.
- › Voluntary verification report in the areas of corruption.
- › Verification report on the allocation of funds obtained from the issuance of the "Green Bond".

Similarly, in 2014 the Commission supervised the asset sales and the provision of services between Abengoa and its Nasdaq-listed subsidiary, Abengoa Yield, drafting preliminary reports to be approved by Abengoa's board of directors.

A photograph of classical architecture featuring several white marble columns with fluted shafts and decorative capitals. The columns are set on a series of wide, shallow steps. The lighting is bright, casting soft shadows and highlighting the texture of the marble.

07  
Compliance  
System for the  
Prevention of  
Corruption

# Introduction

Abengoa's Compliance System for the Prevention of Corruption is designed to prevent, detect, and punish any failure to comply with all anti-corruption laws, standards, or principles that may affect the Company, with special emphasis on the United States Foreign Corrupt Practices Act (FCPA) and on the British Bribery Act 2010.

The Compliance System is in line with Abengoa's values and principles addressed in the Code of Conduct<sup>1</sup>, including integrity, legality, professional rigour, confidentiality, quality, corporate culture, and compliance with the Shared Management Systems.

Abengoa is fully committed to the fight against corruption. Abengoa entered the United Nations Global Compact<sup>2</sup> on November 20, 2002. Signing companies are committed to conduct their operations in accordance with ten principles based on universal declarations and conventions, which include the fight against corruption in all its forms, such as extortion, fraud, and bribery.

In 2013, Abengoa strengthened this commitment by creating a compliance unit inside General Secretary. In 2014, said unit gained autonomy by separating its duties from that of the General Secretary, and by reporting directly to the Board of Directors.

For the design of its Compliance System, Abengoa has been guided by the United Nations Convention against Corruption (UNCAC, October 2003) and the FCPA (Foreign Corrupt Practices Act) Compliance Guide, published by US Department of Justice on November 2012, as well as several reference documents and the best practices of the sector in this field, all of this being adapted to the actual functioning of Abengoa and the markets in which it operates.

The system is propelled by the company's management body and it reaches every employee, manager, and board member of Abengoa and all other companies under its control.

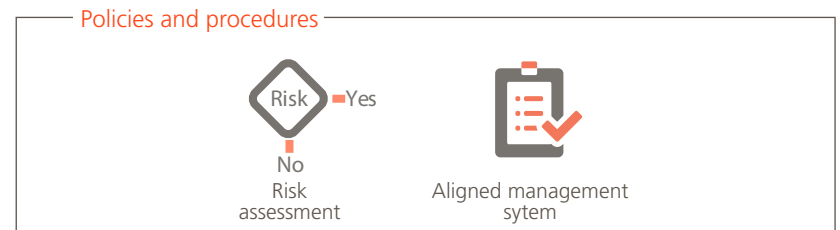
A compliance system does not guarantee the non-occurrence of irregularities, but it helps to prevent it. Moreover, it significantly increases the probability of their identification and mitigation.

The 10 key elements of Abengoa's Compliance System are arranged according to 3 dimensions:

- › Organizational culture and communication
  - 1.Senior management commitment, supervising and implementing the system, to ensure that the strategy is aligned with compliance.
  - 2.A Chief Compliance Officer with direct access to the Board of Directors, with autonomy and sufficient resources to appropriately supervise compliance with the System.
  - 3.Code of Conduct, which explicitly establishes the zero tolerance of Abengoa.
  - 4.Training seminars on the topic for all employees and customized training for key staff.



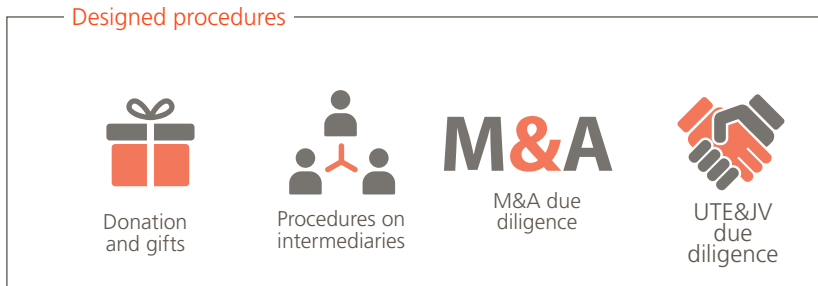
- › Procedures and policies implemented in Abengoa
  - 5.Abengoa's Shared Management Systems, which comprehends policies, procedures, and risks models, are aligned with the Compliance System.
  - 6.Risks assessments in each relevant decision process.



<sup>1</sup> Published on Abengoa website [http://www.abengoa.es/web/en/gestion\\_responsable/nuestro\\_compromiso/codigo\\_conducta/](http://www.abengoa.es/web/en/gestion_responsable/nuestro_compromiso/codigo_conducta/).

<sup>2</sup> From 2005 onwards Abengoa has issued a progress report on the Global Compact Webpage <https://www.unglobalcompact.org/participant/84-Abengoa>

- 7. Designed procedures for higher potential risks areas:
  - a. Donations and gifts.
  - b. Control, follow-up, and due diligence of third parties, including sales agents and intermediaries.
  - c. Due diligence prior to mergers and acquisitions deals
  - d. Due diligence prior to the sealing of UTE (temporary joint operations) and Joint Ventures agreements.
  - e. Purchase, payments, and contracts with third parties.



> Detection mechanisms

- 8. The Compliance System is regularly revised, improved, and updated.
- 9. Internal and external whistleblower policy for reporting in confidential manner.
- 10. Undertaking of designed audits that reaches each of the elements of the Compliance System.



1. Senior management commitment

Abengoa understands that the initial step for the efficient operation of the Compliance System is senior management commitment. Abengoa’s senior management is in charge of exemplifying its commitment, explicitly banning any non-compliance action with any national or international law, as well as backing the high standards of ethics that govern Abengoa’s internal culture.

The culture of compliance and rigour remain as intrinsic values of the Company. This is reflected in how Abengoa has pioneered the implementation of complete and strict internal standards and procedures certified through voluntary external audits, the results of which are made public to all its interest groups. Since 2007, Abengoa has been submitting its internal control system to external verification under the PCAOB (Public Company Accounting Oversight Board) standards, in conformity with requirements of section 404 of the Sarbanes-Oxley Act (SOX). Said verification was voluntary until 2014 when Abengoa’s admission to trade on the NASDAQ made it a requirement. Thus, Abengoa became the first Spanish company to voluntarily comply with a SOX internal control audit.



2. Chief Compliance Officer with direct access to the Board of Directors, and sufficient resources and autonomy

Miguel Ángel Jiménez-Velasco Mazarío became Abengoa’s CCO in 2013. Formerly he was the Legal Services Director (1996-2012) and the Board of Directors Secretary (2003-2013).

The CCO heads the Compliance Department which is responsible for ensuring compliance and for the appropriate design of the Compliance System for the Prevention of Corruption. It is also in charge of establishing the content of the training to be given to the employees, and the internal communication plan for the Compliance System.

For the performance of all duties required in the Compliance System, the Compliance Department holds direct access to the resources of the Legal Services, Internal Audit, Human Resource, and Communication Department, among others. At the same time, each business unit has an officer responsible for compliance tasks.



The autonomy of the Compliance Department is guaranteed by the direct dependence of the CCO from the Board of Directors, which is reported on all significant happenings of relevance. In addition, the CCO, together with the Internal Audit Director, receives all complaints made through the whistleblowing channel (described in depth in section 9).

A team of auditors specialized in fraud prevention (see section 10) are amongst the most significant resources at the disposal of the Compliance Department for ensuring appropriate compliance.

Compliance duties are organized as follows:

Abengoa	Chief Compliance Officer Miguel Ángel Jiménez-Velasco Mazarío Compliance Department
	Internal Audit Unit specialized in fraud prevention Preventive investigations and audits
	Whistleblower policy
	Legal Services Department
	Global risks assessment
Business Unit	Head of Compliance
	Legal Services Department
	Risks assessment
Company / Project	Head of internal control
	Projects committee
	Risks assessment for each project/bid



### 3. Code of Conduct

Compliance with Abengoa’s Code of Professional Conduct is compulsory for all employees, management, and board member regardless of their jobs, location or subsidiary. The Code of Conduct is available on the Company’s intranet and may be accessed by all employees. It is also on Abengoa’s Website<sup>3</sup>.

The Code of Conduct requires that work must be performed with Abengoa’s key standards and values. These include integrity, legality, professional rigour, confidentiality, quality, corporate culture, and compliance with the Shared Management Systems.

The Code of Conduct also explicitly demands that the staff in charge thereof must inform of any known or suspected criminal activity that may affect Abengoa or its employees. If while in the performance of his duty an employee discovers a suspicious activity or behaviour, he is bound to report said violation of the laws, regulations, or standards of the Code of Conduct to the CCO. In addition, the employee is assured that the information shall be treated as confidential and shall be fully investigated and no reprisals shall be suffered for said report, except if the information is deliberately false.

The Code of Conduct also requests to avoid situations that may give rise to conflicts of interest. Should it be indicated, or in order to clarify the employee’s doubts or worries, said employee must contact the CCO.

The Code of Conduct defines the scope of compliance, which includes all regulation to which Abengoa may be subject, including standards of voluntary compliance, and highlights the importance the compliance with the US Foreign Corrupt Practices Act (FCPA), which is considered critical. The Code details the expectations and obligations entailed internationally for Abengoa and each of its companies and employees, as well as the need to scrupulously comply with the content of the Code.

Any exception or waiver of the Code of Conduct by a manager or board member is studied by the Board of Directors, and subsequently reported to the Shareholders’ Meeting in accordance with the applicable rules and regulations.

The non-compliance with the Code of Conduct may entail disciplinary measures that, depending on the nature and seriousness of the non-compliance, include the termination

<sup>3</sup>See [http://www.abengoa.es/web/en/gestion\\_responsable/nuestro\\_compromiso/codigo\\_conducta/](http://www.abengoa.es/web/en/gestion_responsable/nuestro_compromiso/codigo_conducta/)

of the existing work relationship. Furthermore, any supervisor, director, manager, or board member who directs, approves, or consents to non-compliance, or who is aware of the existence thereof but fails to immediately report or correct it, shall be subject to disciplinary measures, including the termination of the existing work relationship.

The Code of Conduct is revised at a minimum annual frequency. Currently the latest version is dated June 3, 2014.



#### 4. Employee training

Abengoa considers employee training paramount for the efficiency of the Compliance System. The initiatives include a compulsory training program for all Abengoa employees, with customized content on the Code of Conduct and the duties and obligations relating to anti-corruption, with special emphasis on the relevance of complying with the FCPA in particular. Following the training, employees must confirm that he/she understands the matter, behaves, and shall behave in accordance with Abengoa's Code of Conduct.

In addition, compulsory yearly Shared Management Systems courses are imparted, the scopes of which include the mechanisms, controls, and procedures related to the daily ongoing of the Compliance System.

On the other hand, Abengoa joined the ACFE Corporate Alliance on November 1, 2014. Said association helps companies with designed tools and training focused on the fight against fraud and corruption, and resources for obtaining the CFE (Certified Fraud Examiner) accreditation for those internal auditors involved in the prevention of fraud.



#### 5. The Shared Management Systems are aligned with the Compliance System

The Shared Management Systems are the corner stone of Abengoa's daily operations. Therefore, Abengoa understands that the Compliance System cannot be an independent complement. Rather it affects each of the policies, procedures, and internal standards potentially relating to risks-oriented areas.

Thus, Shared Management Systems are formed by four fundamental pillars:

- › The Compulsory Internal Norms (NOC). These include all Abengoa-specific corporate policies, including forms that should be filled in to request authorization in cases typified as such.
- › The Compulsory Procedures (POC). They include formalized descriptions of all internal controls and flowcharts of the operation and management of Abengoa's financial information.
- › The Universal Risks Model (MUR). Abengoa's risks management tool, described in detail in the next section.
- › Segregation of functions.

In the latter case, It should be highlighted that all processes were designed bearing in mind the functions incompatible among them. Therefore, there is appropriate segregation of function in the duties related with authorization, registration of transactions, maintenance, and custody of assets, for the purpose of reducing the possibility of incurring into errors or fraud during usual business activities. The assignment of functions is adapted to the characteristics of each subsidiary, business model, and management software in use.

All of the above is consistent with the COSO II implementation in Abengoa and the 17 principles representing the basic concepts of internal control, which happened during 2014. Specifically, principle number 8 is about the assessment of fraud risks, and requires to the company to consider the types of fraud, evaluate employee incentives and pressures, evaluate fraud-committing opportunities, and evaluate attitudes and rationalization of committing them.



#### 6. Appropriate risks assessment

The Company has its own Overall Risks Management System that allows the control and identification of risks, including those related with irregularities in anti-corruption compliance. The system maintains a culture of frequent risks control that helps in ensuring the achievement of objectives in this area and in acquiring the capacity of both action as well as adaptation. The goal is to mitigate the threats that may be uncovered in the globalized and changeable environment.

Abengoa therefore has a tool known as Universal Risks Model (MUR) for the identification, understanding, and evaluation of risks. Said tool evaluates the risks based on a double criteria: probability of occurrence and impact on entity. Consequently, it permits to obtain an integral vision of the risks divided into four areas, of which one focuses on regulation,

which gathers the risk categories related to regulations, laws, and codes of ethics and conduct. The Compliance System also includes the evaluation of specific risks based on the same criteria of probability of occurrence and impact on entity.

The management of the risks entailed in projects is essential to maintain Abengoa's competitive advantage. Compulsory control mechanisms include:

- › Preliminary identification of risks before submitting a bid.
- › Analysis and quantification of risks, in a model that is homogeneous for all the subsidiaries.
- › The head of risk assessment is being directly involved with subsidiaries, in these duties.
- › Designed procedures for following up on critical projects. The scope range: customized documents, project follow-up meetings, reports to management committees, and project performance index generation and management.

## 7. Specific procedures for major risks areas:

Abengoa's Shared Management Systems which regulate procedures in the ordinary activities of the Group are complemented by the design of control mechanisms over areas of higher potential risks in anti-corruption compliance.



### 7.a. Gifts and donations

The giving or acceptance of any kind of gift valued at over USD\$50 is generally prohibited. All exceptions, including donations and/or sponsorships, valued at over USD\$50 must request specific authorization. The requirements include information on the receiver, accumulated amount for the last 12 months, control over usage and the destination, and signed commitments. In addition, donations and sponsorships are subject to additional due diligence process over the potential impact at anti-corruption level.



### 7.b. Procedures for hiring agencies and intermediation

All third party contracts geared towards signing a contract, specific goals or success with a client, public or private, whether direct or indirect, must undertake not to commit any irregularity in favour of Abengoa.

This obligation extends to all type of suppliers, whether sales agent, intermediary, consultancy services, management and/or sales consultancy, or any other function that could permit them to directly or indirectly act in protection or on behalf of the interests of Abengoa for a specific bid or business offer.

These contracts also necessarily require the communication of Abengoa's commitments to anti-corruption measures and to due diligence prior to the contract signing, and a follow-up during its execution.

As described in section 10, the Internal Audit Department has permanent resources assigned to suppliers audits.

### M&A 7.c. Due diligence prior to mergers and acquisitions deals

Abengoa follows a series of established procedures before any attempts are made to acquire a company outside the group. These are mainly based on three mechanisms:

- › The review of all contractual terms and conditions by the Legal Services Corporate Department, ensuring that they are aligned with Abengoa's Compliance System.
- › The performance of a complete due diligence, involving, when necessary, independent experts, that entails thorough revision of the acquired company in accounting, taxation, contractual, and legal terms. The latter includes a revision of possible irregularities in anti-corruption compliance prior to the acquisition.
- › Once the companies fall under Abengoa's control, they must assume the same control environment as the rest of the group, for which, where necessary, they receive corporate support.



7.d. Due diligence prior to operations of sealing of UTE and Joint Ventures agreements.

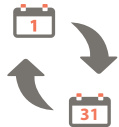
Before forming a joint venture, UTE, consortium-style group, or analogous figure, some aspects are analyzed, including, among others: details of how said association is organized, equity structure, decision-making systems, relevant information on partners including due diligence, schedules of contract, commitment to the performance of anti-corruption laws, etc.

In addition, in the event that the respective consortium-style figure executes one of the operations for which formal internal approval is required, it needs to request for authorization from Abengoa by filling out the specific form. That includes the capacity to make offers to specific clients and the signing of contracts.

7.e. Purchase, payments and contracts with third parties.

Abengoa has procedures established on certain key processes of the Company. These are involved in ensuring the effectiveness of the Compliance System:

- › The purchasing process, through procedures aimed at ensuring that all purchase of materials and services correspond to actual and legitimate needs of the Company.
- › The treasury process, through payment procedures aimed at preventing the existence of unauthorized or irregular payments.
- › The legal affairs process, with procedures aimed at ensuring the appropriate analysis and authorization of legal actions.



8. Continuous updating, revision and improvement of the Compliance System

In Abengoa, the Shared Management Systems are dynamic and evolve depending on the needs detected. Each internal process is assigned to someone in charge of centralizing and approving changes and updates. Said person analyses the initiatives proposed by each agent involved, ranging from the departments involved, to both internal as well as external auditors.

The Shared Management Systems underwent 49 updates in 2014, including 4 in connection with the Compliance System, sufficiently significant to communicate to all the employees.



9. Internal and external whistleblower policy

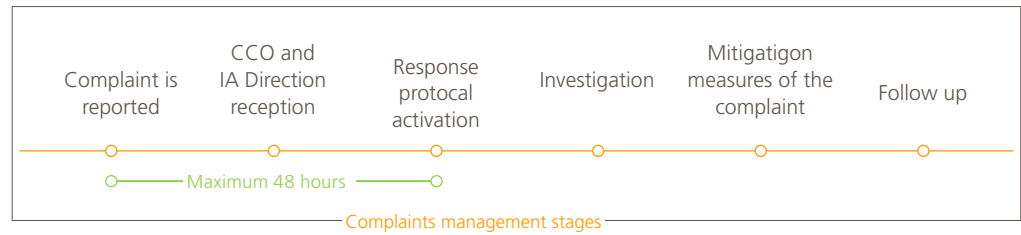
Abengoa launched its whistleblowing channels in 2007. These provide direct channel of communication with the upper management and the governing bodies, used as means of reporting any possible irregularity, non-compliance, unethical, or illegal conduct or the breach of rules that govern the Company.

The channels available are:

- › Internal, available to all employees through email or ordinary mail.
- › External, accessible from the Abengoa Website<sup>4</sup>, provides direct communication channel to anyone not related to the company.

Abengoa guarantees the fullest confidentiality for all those who report irregularities, and the absolute absence of reprisals for all complaints made in good faith.

The complaints are directly received by the CCO and by the Internal Audit Director. The Audit Committee formally concludes on investigations or measures that, as the case may be, should be implemented in relation with the complaints received.



In 2014, all the complaints reported were treated in accordance with the established internal procedures.

<sup>4</sup> Visit [http://www.abengoa.es/web/en/accionistas\\_y\\_gobierno\\_corporativo/canal\\_denuncias/](http://www.abengoa.es/web/en/accionistas_y_gobierno_corporativo/canal_denuncias/)



## 10. Designed audits

In 2012 Abengoa set up a fraud detection and prevention unit, which undergoes customized training in fraud and anti-corruption. The unit has since been reinforced.

In 2014 the team was made up of 16 auditors, out of which 13 have experience working in some of the 4 major audit companies.

The designed work plan of this unit is focused on preventive and dissuasive reviews, as well as on the analysis of the potential existence of irregular practices. There are also specialists in information technology, FCPA, and business intelligence. Said work group prepared more than 100 reports during the 2014 financial year.

There is no minimum materiality required for the taking of actions. However, the unit reviews all material works companies at minimum yearly frequency.

Finally, the Compliance Department has specific and permanent resources to perform audits on suppliers. Furthermore, the Legal Services Department performs internal audits on legal compliance.