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**Corporate governance, transparency  
and rigor in management**



Good  
governance  
is an essential  
part of our  
management

Photo taken by Cristina Cuesta Delgado for the IV edition of the sustainable development photography competition.

The distinctly international dimension governing today's business world has led Abengoa to develop mechanisms in all realms to enable the company to be competitive and harness the best **growth opportunities**. A key component of this development is the sound **management of the company's corporate governance**.

Thus, Abengoa intends to continue adapting to the best spanish practices established under the Unified Code of Good Governance, while abiding by **standards** regulating international corporate practices. Stringent **compliance with the norms** that apply to Abengoa corporate governance leads to **better company management and operation**.



Since its inception, the company has strived to enhance its corporate governance structure, particularly in regard to the bodies that **make up the corporate governance structure**, strengthening their composition, regulating their proper functioning and gradually increasing their level of exigency.

The company reports annually on its performance in this regard through the Corporate Governance Report, which has been evaluated by an independent external company since 2009.

## Abengoa's governing bodies

### Board of Directors

**The Board of Directors** is composed of **fifteen members**: three women and twelve men aged between 47 and 68. Eight members are proprietary directors, four are independent, three are internal directors, and none of them is a board member of any other listed company.

Mr. Felipe Benjumea Llorente. Executive chairman.		Prof. José B. Terceiro. Executive vice chairman. Coordinating officer.		Mr. Manuel Sánchez Ortega. Chief executive officer .	
Mr. José Joaquín Abaurre Llorente. Board member and member of the Audit Committee.		Mr. José Luis Aya Abaurre. Board member and member of the Appointments and Remuneration Committee.		Ms. María Teresa Benjumea Llorente. Board member .	
Mr. Javier Benjumea Llorente. Board member.		Prof. José Borrell Fontelles. Independent member.		Prof. Mercedes Gracia Díez. Independent member. Chairwoman of the Audit Committee.	
Mr. Ricardo Martínez Rico. Independent member. Member of the Audit Committee.		Mr. Claudi Santiago Ponsa. Proprietary director.		Mr. Ignacio Solís Guardiola. Member.	
Mr. Fernando Solís Martínez-Campos. Member.		Mr. Carlos Sundheim Losada. Member.		Ms. Alicia Velarde Valiente. Independent member. Member of the Audit Committee.	

Mr. Felipe Benjumea Llorente.	Executive chairman.
Prof. José B. Terceiro.	Executive vice chairman. Coordinating officer.
Mr. Manuel Sánchez Ortega.	Chief executive officer.
Mr. José Joaquín Abaurre Llorente.	Board member and member of the Audit Committee.
Mr. José Luis Aya Abaurre.	Director.
Ms. María Teresa Benjumea Llorente.	Director.
Mr. Javier Benjumea Llorente.	Director.
Prof. José Borrell Fontelles.	Director.
Prof. Mercedes Gracia Díez.	Director.
Mr. Ricardo Martínez Rico.	Director.
Mr. Claudi Santiago Ponsa.	Director.
Mr. Ignacio Solís Guardiola.	Director.
Mr. Fernando Solís Martínez-Campos.	Director.
Mr. Carlos Sundheim Losada.	Director.
Ms. Alicia Velarde Valiente.	Director.
Mr. Miguel Ángel Jiménez-Velasco Mazarío.	Non-board member secretary.

## Appointments and Remuneration Committee

The Appointments and Remuneration Committee has the duty of safeguarding and reporting to the **Board of Directors** on appointments, reelections, terminations and remuneration of the Board and its officers, and on general policy regarding compensation and incentives for board members and senior management.

The committee also verifies on an annual basis that the different board members continue to satisfy the requirements to remain as such. This body also acts to ensure that in filling any vacancies that may rise, selection procedures are not affected for reasons of gender.

Another important duty of this committee is to **evaluate the performance of the Board of Directors** and the **executive board members**.

Chairman	Prof. José Borrell Fontelles
Members	Mr. José Luis Aya Abaurre
	Prof. José B. Terceiro
	Ms. Alicia Velarde Valiente
	Prof. Mercedes Gracia Díez
Non-board member secretary	Mr. José Marcos Romero

## Audit Committee

This committee is primarily **made up of non-executive members**, thereby fulfilling the requirements established under the standards of good governance. The duties and powers of the Audit Committee, as stipulated in its regulations, include **overseeing** and **resolving conflicts of interest**.

Chairwoman	Prof. Mercedes Gracia Díez
Members	Mr. José Joaquín Abaurre Llorente
	Prof. José B. Terceiro
	Ms. Alicia Velarde Valiente
	Mr. Ricardo Martínez Rico
Secretary non-board member secretary.	Mr. Miguel Ángel Jiménez-Velasco Mazarío

## Strategy Committee

The Strategy Committee meets monthly to analyze the company's evolution and the strategic lines to follow. This committee comprises the executive chairman, the executive vice chairman, the chief executive officer, the director of Corporate Strategy and Development, the business unit directors, the chief technical officer, the director of Human Resources, the director of Organization, Quality and Budgets, the financial director, the director of Planning and Control, the director of International Institutional Relations, the general secretary for Sustainability and the general secretary.

### International Advisory Board

Aware of the clearly global and international nature of its businesses, in 2010 Abengoa created the International Advisory Board which, comprising professionals of international renown, is intended to provide consultation on strategic matters to the Board of Directors.

The board is composed of **nine experts** and has been set up as a unregulated, voluntary body for the purpose of providing consultation and technical advice to the Board of Directors, which is responsible for electing members of the board.

The main duty of the Advisory Board is to support the Board of Directors, the body to which it reports organically and functionally, in the realm of Board of Director competencies, providing collaboration and consultation. Advisory Board activity is essentially geared towards addressing queries raised by the Board of Directors in relation to any issues deemed pertinent by the latter or presenting proposals to the Board of Directors arising from the experience, expertise and analysis of the Advisory Board.

The current members of the International Advisory Board are as follows:

**Mr. José Borrell Fontelles (Chairman):** Professor of Fundamentals of Economic Analysis at the Complutense University of Madrid. Earned a degree in Aeronautical Engineering from the Polytechnic University of Madrid, a Ph.D. in Economic Sciences, a master's degree in Operational Research from Stanford University, and a master's degree from the French Institute of Petroleum in Paris. He worked as an engineer for the Spanish Petroleum Company (1972-1981). From 1982 until 1996 he served as General Secretary for Budgetary Affairs, then as Secretary of State for Finance and finally as minister for Public Works, Telecommunications, Transport and the Environment. During the first half of the 2004-2009 legislature he was elected president of the European Parliament and in the second half served as Chairman of the Development Committee.

**Mr. Kemal Dervis (member):** As Turkey's former minister of Economic Affairs, he was in charge of the economic program that helped the country overcome the financial crisis of 2001. He currently holds the position of vice president and director of Global Economy and Development at the Brookings Institution in Washington, D.C. He is a member of the Board of Supervisors of Sabanci University in Istanbul and is also a member of the university's Policy Center. His field of work and study includes world economy, growth, international trade, climate change and energy sources, issues related to reserve currency and the process of European Union expansion. He currently chairs the International Advisory Board of Akbank and is an advisor to the director-general of the ILO.

**Mr. Mario Molina (member):** Professor at the University of California in San Diego (UCSD). Former professor at the Massachusetts Institute of Technology (MIT) and held teaching and research positions at the National Autonomous University of Mexico, University of California-Irvine and the Jet Propulsion Laboratory of the California Institute of Technology. He was a member of the President's Council of Advisors on Science and Technology, and many other advisory platforms and panels. He is a member of the U.S. National Academy of Sciences and the Institute of Medicine of the Pontifical Academy of Sciences. He has received numerous awards for his scientific work, including the Tyler Energy Prize and the UNEP Sasakawa Award, in addition to a Nobel Prize in Chemistry.

**Mr. Nicholas Stern (member):** Former senior vice president and chief economist for the World Bank. He currently acts as economic advisor to the British government. After working for the World Bank, Prof. Stern was sought out by the then minister of Finance, Gordon Brown, in 2003. He went on to become Second Permanent Secretary of the Treasury. He was later appointed director of Policy and Research for the Commission for Africa and, in July 2005, was tasked with conducting a review on the economics of climate change and development, which led to the publication of the *Stern Review*.

**Mr. Ricardo Hausmann (member):** A Venezuelan economist and academic, he is currently the director of the Center for International Development and a professor at Harvard University. He previously served as the first chief economist of the Inter-American Development Bank, where he created the Research Department. He was also the minister of Planning of Venezuela and a board member of the Central Bank of Venezuela, and chaired the IMF-World Bank Development Committee. He was professor of Economics at the Institute for Advanced Studies in Administration (IESA in its Spanish acronym), where he founded the Center for Public Policy.

**Mr. Bill Richardson (member):** Mr. Richardson has extensive experience in U.S. politics, where he has held a variety of positions as a representative of the Democratic Party. Noteworthy is his participation as a member of the U.S. House of Representatives for New Mexico (1983-1997), U.S. Ambassador to the United Nations (1997-1998) and U.S. Secretary of Energy (1998-2001). In 2003, he was elected governor of New Mexico, an office which he held until 2010. A champion of clean, renewable energies and energy efficiency, during his term as the Secretary of Energy he rolled out demanding efficiency standards for saving energy, and, as governor, he worked to make New Mexico a clean energy state.

**Lord Douro (member):** Holds degrees in philosophy and in political science and economics from Oxford University, Christ Church College. He was a member of the European Parliament, director of Eucalyptus Pulp Mills, director of Liberty International, vice president of Guinness Mahon, president of British-Spanish Tertulias, president of Framlington Group Limited and president of Sun Life & Provincial Holdings PLC. Since 1990 he has served as president of Dunhill Holdings PLC – now Richemont Holdings (UK) Limited. He has also been director of Compagnie Financiere Richemont since 2000 and director of Sanofi-Aventis in Paris since 2002. In 2001, he was appointed director of Pernod Ricard, Paris, a position he continues to hold. In addition, he has been president of King's College, London University since 2007.

**Mr. Álvaro Fernández-Villaverde y Silva (member):** Holds a law degree from the Complutense University of Madrid. Between 1975 and 1989 he was embassy secretary and advisor to the Permanent Representation of the UN, in New York, and as minister plenipotentiary in commission, was appointed in 1982 as deputy director general of the United Nations. He was also a member of the Spanish delegation to the UN and an alternate representative at the Conference on Security and Cooperation in Europe (CSCE), held in Madrid in 1980. Following his diplomatic work, he took charge of external relations at the National Institute of Hydrocarbons of Spain and subsequently held important positions at the Banco Hispano Americano and the bank's Foundation. He presided over the Hispania Nostra Association and, in April 1997, was appointed president of National Heritage. He has held positions as an independent counselor of various Spanish companies.

**Prof. Carlos Sebastián (member):** Studied at the University of Madrid, the University of Essex (UK) and the London School of Economics. He has been professor of Fundamentals of Economic Analysis at the Complutense University of Madrid since 1984. Outside of his academic life, he was the Director General of Planning for the Spanish Ministry of Economy, director of the Foundation for Applied Economic Studies (FEDEA) and advisor to and a director of several private companies. He has penned numerous articles and monographs on macroeconomics, the job market, economic growth and institutional economics, and is a frequent columnist for the *Cinco Días* economic newspaper.

## Transparency and anti-corruption

Abengoa upholds an unwavering **commitment to transparency** in all of the activities and processes in which it engages, and holds transparency as the cornerstone underpinning the company's relationship with its stakeholders.

### Practices for preventing corruption

Abengoa has mechanisms and procedures in place to **prevent and detect fraudulent and corrupt practices**. All company employees periodically receive information on procedures to follow and channels for reporting any irregular activities.

We work to prevent and detect fraudulent and corrupt practices



## Anti-corruption act

In the fight against bad practices such as extortion, fraud and bribery, Abengoa, while observing its own **Code of Conduct**, also adheres to the provisions of the *U.S. Foreign Corrupt Practices Act* (FCPA), in addition to the requirements established under Section 404 of the U.S. **Sarbanes-Oxley (SOX) Act**, which regulates the actions of all international companies that conduct any type of activity in the U.S.

The U.S. Department of Justice is ultimately responsible for compliance with the anti-bribery act by national and foreign companies, with the *Securities and Exchange Commission* (SEC) in charge of the application of regulations to listed companies.

In 2012, **279 financial audit** reports were conducted, which included, among other aspects, reviews and analyses of corruption-related risks in companies determined as being material. A total of **29 legal audits** were also performed.

There were no incidents of corruption detected over the course of the year, no incidents occurred in relation to monopoly practices or breaches of free competition, and there is no report of any fines or sanctions resulting from failure to comply with laws or regulations.

## The Abengoa Code of Conduct

The Code of Conduct governs working relations within the company and between the company and its stakeholders. In the interest of promoting transparency and rigor in operating the company, the code is available for consultation through the company intranet, available to employees, as well as on the Abengoa website ([www.abengoa.com](http://www.abengoa.com)). Furthermore, any changes made to the code are duly communicated throughout the organization immediately and with no exceptions.

No significant investment agreements have been made that include clauses incorporating human rights concerns or which have undergone human rights screening.

## Whistleblower channels

Implemented **in 2007**, Abengoa's whistleblower mechanism is managed in accordance with the **requirements of the Sarbanes-Oxley Act** and all related activity is reported to the Audit Committee.

The company has **two whistleblower channels** whereby the company's stakeholders may report irregular conduct:

- **Internal:** Available to all employees, allowing them to report any complaints or claims concerning the financial statements or other reports, accounting matters, internal controls over the financial information reported, auditing matters or breaches of the Abengoa Code of Conduct.
- **External:** Intended to enable anyone outside the company to report irregularities, fraudulent acts or conduct that contravenes the Abengoa Code of Conduct. This channel is available on the Abengoa website.

Claims may be submitted with the petition of **assurance of whistleblower** confidentiality, and may also be sent in anonymously.

Abengoa's aim in creating these channels is to provide a **specific means of communication** with company management and governing bodies, serving as an instrument for reporting any possible irregularity, non-compliance or conduct that runs contrary to the ethics, legality and norms governing the company.

In 2012, the whistleblower channels recorded infringements of the code of conduct and cases involving irregular employee behavior. All information and communications received were handled in accordance with the internal procedures established for this purpose and have been resolved satisfactorily.



## Audits for preventing and detecting fraudulent activities

A specific unit was set up within the internal audit department in 2012 with the mission of conducting anti-fraud audits. The aim is to better control fraud within Abengoa. This unit is also responsible for investigating the information received through the whistleblower channel.

The anti-fraud audits are a **significant improvement** on previous years, in that they are conducted according to a plan of action which includes geographical locations or business segments that are most susceptible to fraud, and include a review of areas exposed to greater risk relating to financial statements.

This team also assesses critical projects by analytically reviewing financial information and analyzing other latent risks. It is also in charge of conducting inquiries after receiving any claim through the Abengoa whistleblower channel.

The anti-fraud audit plan includes approximately **50 activities per year**, although program scheduling is flexible in order to adapt to any needs or new risks arising over the course of the year.

## Conflicts of interest

Abengoa participates in scientific, technological and cultural events of interest to the company in the areas, cities and regions where the company conducts its business.

Furthermore, any activity that could be treated as lobbying is handled through the support of the different professional associations operating in each of sectors of activity of Abengoa's business units. In the U.S., for example, Abengoa performs *lobbying* activities through some of the following professional associations: Cornerstone Government Affairs, Renewable Fuels Association, Association of Nebraska Ethanol Producers, Association of Missouri Ethanol Producers, and the Kansas Association of Ethanol Producers, CSP Alliance, Solar electric power association (SEPA) and Solar energy industries association (SEIA).

In 2012, no financial or in-kind contributions were made to any political parties or related institutions.

## Rigor in management

In order to make sure that the company is running smoothly and to secure its long-term future, a precise and rigorous management system, in addition to sound strategic planning, is essential, and should take into account the risks associated with the company's own activity and foresee the way to mitigate these risks.

Along these lines, Abengoa has its own **global risk management system** in place. Forming part of the common management systems, the system enables risks to be **identified and controlled** and is updated periodically so as to create a **common management culture**, fulfill the objectives set in this regard and have the capability to adapt to **mitigate any potential risks** that may arise in today's highly competitive environment.

Implementation of this system requires:

- Risk management throughout **all levels** of the company, **without exception**.
- **Full integration** into strategy and systems for meeting established targets.
- Full support from management in **evaluating, monitoring and following the guidelines** established with respect to managing threats.

This risk management system is formalized and executed through the following three tools:

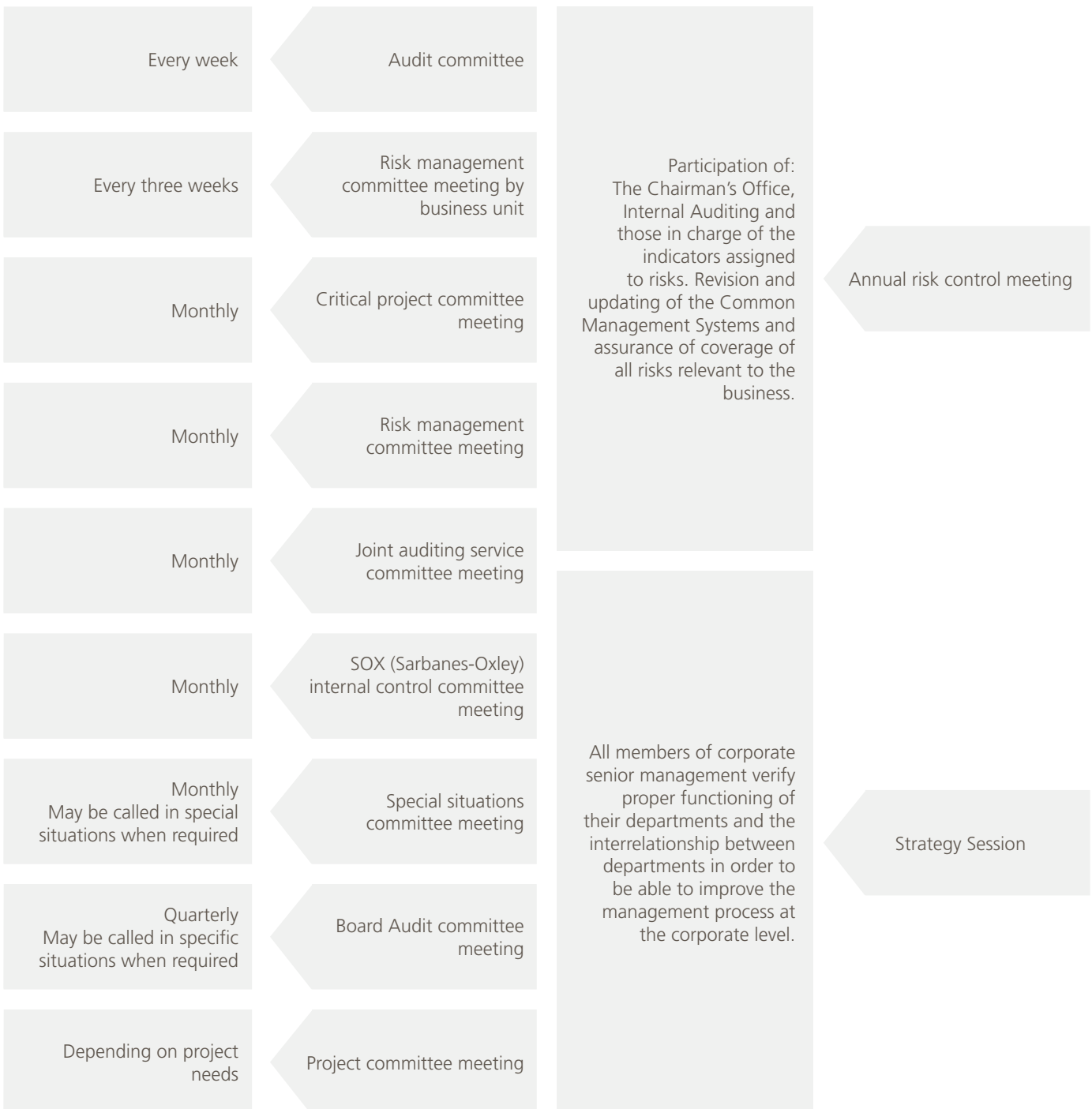
- The norms of obligatory compliance (NOC).
- The processes of obligatory compliance (POC).
- The Universal Risk Model (URM).

Compliance is **ensured** through verifications conducted by the **Internal Auditing** Department, and through the committee meetings held periodically with the company's senior management and the chairman's office.

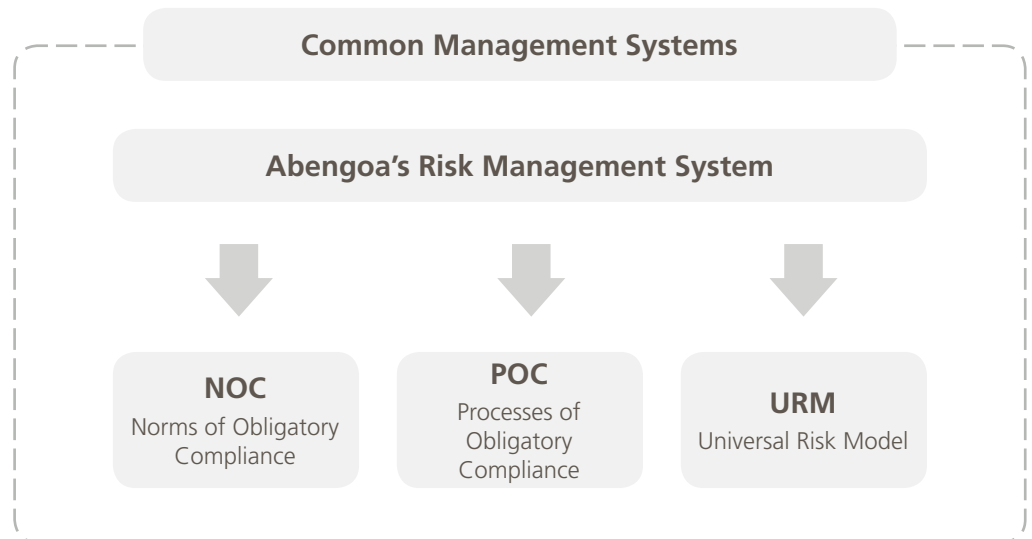
## Committee meetings held in relation to Risk Management

### Periodic committee meetings

### Annual committee meetings



Quality standards form the basis of these instruments, or common management systems, the aim being to **comply** with **international regulations and standards** that include **ISO 31000** and the **Sarbanes-Oxley** Act, and our systems have been certified by firms of international renown.



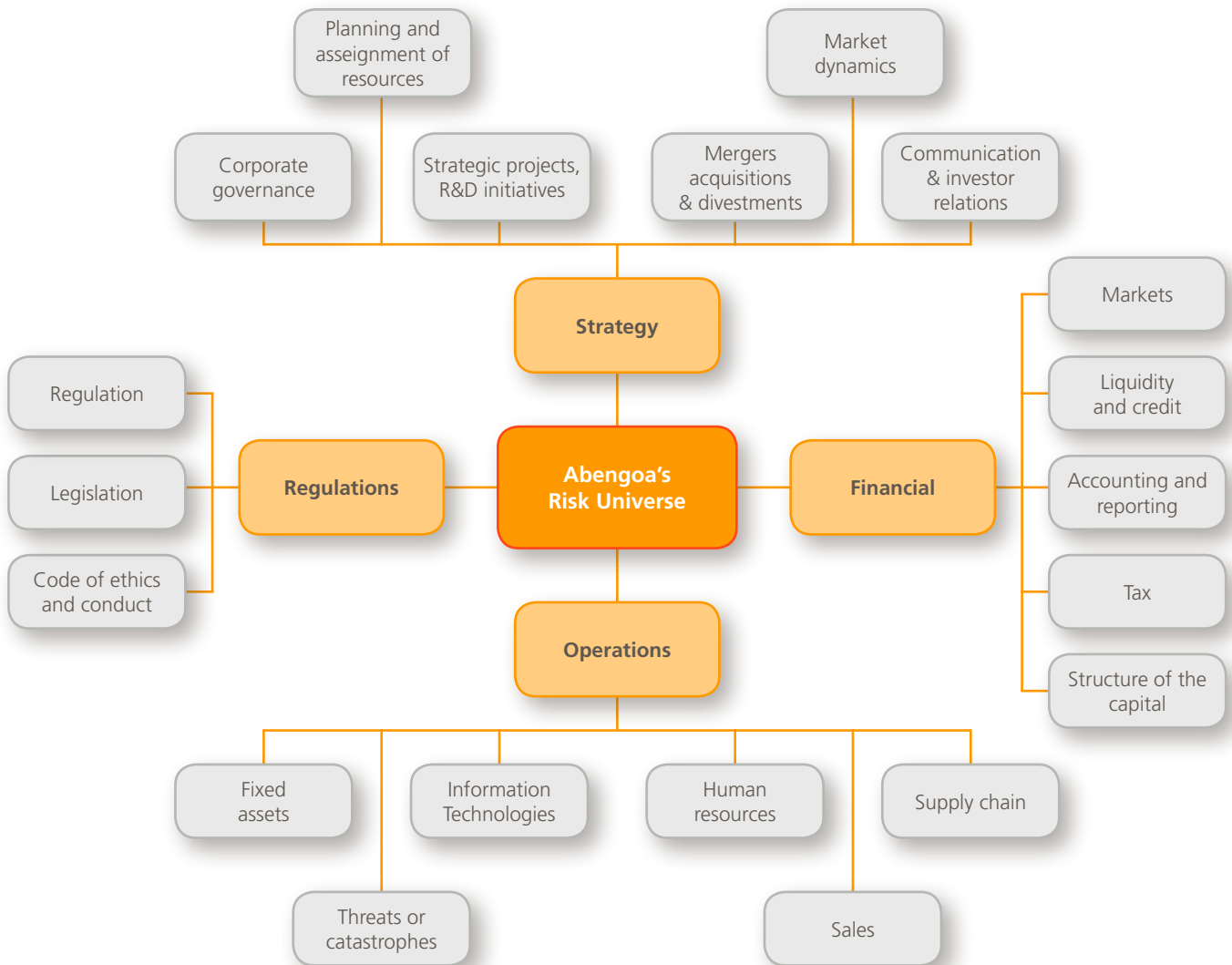
## Risk management model

The Universal Risk Model (URM) is the methodology employed by Abengoa to identify, understand and assess risks that affect the company. The primary aim of the model is to gain a global perspective of these risks, designing an efficient system in line with the company's business objectives.

The URM comprises **56 risks** belonging to **20 different categories** and which are grouped into **4 major areas: finance, strategy, regulations, and operations**.

The company reviews the model annually to ensure that the calculations designed for each risk best reflect the company's reality. This review was conducted in June 2012.

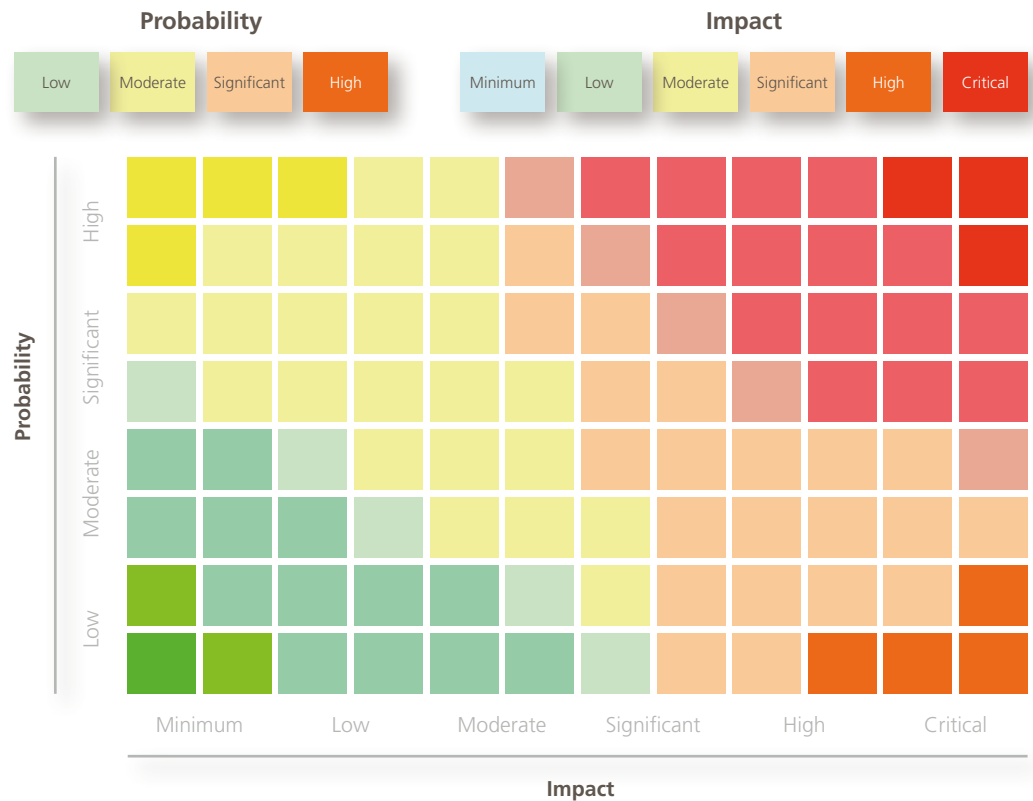
Abengoa's Universal Risk  
Model arrangement.



All of the risks included in the URM are evaluated on the basis of two criteria:

- **Probability of occurrence:** Degree of frequency with which it can be assured that a given cause will bring about an event with a negative impact on Abengoa.
- **Impact on the company:** Set of potential negative effects on the company's strategic objectives.

Visual representation of  
risks valuation.



The computer application **Archer eGRC**, which automates the process of identifying, evaluating, addressing, monitoring and reporting on the risks that make up the company's URM, was consolidated in 2012 as the chosen **instrument for computing and reporting on the risks** across company activities and sectors. Work is currently under way to synchronize the application with other corporate tools.

### Managing CSR risks at Abengoa facilities

In 2010, Abengoa developed a system to determine, oversee and control potential risks involving CSR and affecting the company's facilities. In 2011, four pilot projects were implemented at India, Brazil, Huelva and Seville (Spain).

Risk assessment was performed in 2012 for all of the company's relevant facilities<sup>1</sup>.

The risks defined through the system were selected on the basis of issues of relevance to CSR that are identified in the Strategic Plan and which encompass the following areas:

- Labor practices.
- Occupational health and safety.
- Suppliers.
- Social engagement and local impact.
- Environmental management and climate change.
- Ethics, integrity and compliance.

Note 1: Relevant facility, companies included within the SOX review scope and those considered within the scope of internal auditing

After examining 52 facilities, the consolidated results found the following risks to exist on a global scale:

- 16 highly material risks that include environmental certifications among suppliers, contractors, collaborating companies and other partners; potential emergency situations or contingency plans drawn up for environmental incidents.
- 104 moderately material risks that include upholding human rights among suppliers, contractors, collaborating companies and other partners; supplier failure to comply with health and safety standards or generation of negative impacts on the communities present in their sphere of influence.
- 173 risks of low materiality related to the environmental impact of Abengoa's activities; employee training and skills; and environmental management systems.

The results of these periodic risk assessments will enable each Abengoa facility to step up efforts towards mitigating the risks flagged as material in their specific area of activity.