

## Corporate governance



Having governing bodies that generate confidence among stakeholders and ensure effective strategy and the dissemination of a culture of integrity is essential for companies if they hope to progress.

Thus, Abengoa advocates that their Corporate Governance adheres to the **principles of effectiveness and transparency** established in the main recommendations, including the International Corporate Governance Network (ICGN) and the Unified Code of Good Governance of Listed Companies of the Spanish Securities Exchange Commission (CNMV, to use its Spanish acronym).

Consequently, in 2015, Abengoa worked to continue to adopt these **recommendations in their Governance system**. Thus, it is noteworthy the approval of the CSR policy by the Board of Directors in July 2015. Once the company's current situation is resolved, the Board of Directors will approve the new Corporate Social Responsibility Plan (SPCSR), adapted and updated according to the new situation of the company.

Gearing decision-making to these guidelines not only facilitates appropriate management of company operations, but also improves profitability and contributes to sustainability wherever the company carries out its activities.

Another component of good governance is assuring (regulatory compliance), which means taking due diligence to ensure that the company meets all applicable regulatory and legal requirements in every country of operation.

## Governing bodies

With the aim of reporting to stakeholders on the company's performance in the realm of corporate governance, Abengoa publishes since 2009 a [Corporate Governance Report](#).

The Board of Directors<sup>1</sup> is composed of 12 directors: nine men and two women. Four members are proprietary directors, five are independent and three are internal directors. Only the chairman, Antonio Fornieles Melero, belongs to the Board of Directors of another listed company, Oryzon Genomics, S.A. [G4-LA12](#), [G4-34](#)

This Board is the body that regulates Abengoa's governance. In keeping with good governance practices, the board requires specialized committees to be able to carry out its work efficiently. Therefore, Abengoa's Board of Directors is assisted by the Audit Commission, the Appointments and Remuneration Commission, the Strategy and Technology Commission, as well as the Investment Commission, which was created in 2015.



Note 1 For more information see the [Corporate Governance Report](#).

The four commissions are made up exclusively of directors and receive assistance from a non-director secretary. The commissions are also supported by the International Advisory Board (IAB) when addressing matters that require more detailed or specific knowledge.

The Board met **42 times** in 2015 to address the most significant operational matters and situations requiring responses from management. These matters included the worsening financial situation of the company during the second half of 2015, which began on 3 August last year after announcing the capital increase. Finally, on 25 November, the situation resulted in the Courts being notified of the communication set out in Article 5 bis of the Spanish Insolvency Law, which informed the aforementioned of the fact that negotiations had begun with the main company creditors in order to reach a refinancing agreement.

Throughout this whole period, the Board of Directors began to meet weekly to monitor events more closely. These weekly meetings were held until the capital increase was announced on 23 September, after which fortnightly meetings continued to take place.

The Board also reviews the tasks assigned to the different committees and commissions that report to the Board. In this regard, the Board of Directors is responsible for approving, among other matters, the general company policies and strategies, and, in particular, the company's strategic or business plan, in addition to management objectives, the investment and financing policy, the [Corporate Social Responsibility Policy](#)<sup>2</sup> and the risk management and control policy. [G4-35](#), [G4-42](#), [G4-43](#), [G4-47](#)

Abengoa has a non-executive general secretary who, with support from other directors, is in charge of the management of non financial information in the company. Like the other directors, the secretary meets periodically with the Chairman's Office through the different committees to review and analyze all issues pertaining to social, economic and environmental matters. [G4-36](#)

Note 2 The Corporate Social Responsibility Policy was unanimously approved in a meeting of the Board of Directors held on 27 July 2015.

The [Rules of Procedure of the Board of Directors](#) dictate that the principle of equal treatment be applied in dealings with shareholders. Accordingly, suitable mechanisms must be created to hear shareholder proposals related to company management, informative meetings held on company progress and the necessary channels implemented to steadily exchange information with shareholder groups<sup>3</sup>.

The company has a shareholder portal, accessible through its [website](#), through which shareholders can submit their enquiries. [G4-37, G4-49, G4-50](#)

Furthermore, the Regulations state that one of the independent directors must be appointed in order to, amongst other things, gather and coordinate the concerns of non-executive directors, call for a meeting of the Board of Directors or the inclusion of new points on the agenda, maintain contacts with investors and shareholders to hear their views and concerns, especially those regarding the company's corporate governance, and lead the evaluation process of the chairman. Additionally, in 2010 the Board of Directors agreed upon the designation of a chief executive officer to share executive duties with the company chairman<sup>4</sup>.

In addition to what is stated in the aforementioned Regulations, on 30 March 2016, the Board approved the policy on communication and contact with shareholders and institutional investors, also available on the [website](#).

Name	Type of director	Post
Mr. Antonio Fornieles Melero	Executive director	› Executive Chairman
Mr. Joaquín Fernández de Piérola Marín	Executive director	› First Executive Vice-Chairman › Managing Director (CEO) › Member of the Investment Commission

Name	Type of director	Post
Ms. Alicia Velarde Valiente	Independent Director	› Second Vice-Chairwoman › Lead Director › President of the Audit Commission › Member of the Appointments and Remuneration Commission › President of the Investment Commission
Mr. Javier Benjumea Llorente	Executive director	
Mr. Ignacio Solís Guardiola	Proprietary director	
Mr. José Joaquín Abaurre Llorente	Proprietary director	› Member of the Strategy and Technology Commission
Inayaba, S.L. (Ms. Ana Abaurrea Aya)	Proprietary director	› Member of the Strategy and Technology Commission
Mr. Claudi Santiago Ponsa	Proprietary director	
Mr. Ricardo Hausmann	Independent Director	
Mr. Ricardo Martínez Rico	Independent Director	› Member of the Strategy and Technology Commission
Prof. Ms. Mercedes Gracia Díaz	Independent Director	› Member of Audit Commission › President of the Appointments and Remunerations Commission › Member of Investment Commission
Prof. Mr. José Borrell Fontelles	Independent Director	› Member of Audit Commission › Member of the Appointments and Remuneration Commission › President of the Strategy and Technology Commission

Resumes for all members of Abengoa's governing bodies are available for consultation on the [corporate website](#). [G4- 38, G4-39](#)

**Note 3** More information can be found in the chapter devoted to "Financial capital".

**Note 4** Except for a brief period, from 27 November 2015 until 6 January 2016 when José Domínguez Abascal took on the role of Chairman and Chief Executive.

## Appointments and Remuneration Commission

The Appointments and Remuneration Commission<sup>5</sup> was created in 2003. It is exclusively made up of non-executive independent directors, which lends greater objectivity when carrying out its duties. Its main objective is to advise and inform the [Board of Directors](#) regarding appointments, reelections, terminations and remuneration of the Board itself and its officers, and on general policy regarding compensation and incentives for board members and senior management, which is also approved at the General Shareholders' Meeting<sup>6</sup>.

*G4-51, G4-52*

The committee also verifies on an annual basis that the different board members continue to meet the requirements to remain as such, including the category and nature of their directorship. It is in charge of selecting profiles that best represent the needs of different stakeholders from among experts of renowned national or international prestige in different fields. The selection procedure is based on merit and is intended to fill any vacancies with individuals whose professional profiles are not linked to personal interests, all of which is in accordance with what is set out in the director selection policy, approved by the Board on 30 March 2016.

It also acts to ensure that in filling any vacancies that may arise, selection procedures are not affected by matters of gender, religion, race, etc. Other tasks of this committee include assessing the performance of the Board of Directors and of its executive directors, examining and organizing the replacement of the Chairman and the Chief Executive Officer, communicating appointments and terminations of members of senior management, and providing information on matters of gender diversity. *G4-40, G4-44*

In 2015, the relationship between the chairman's annual salary (including variable pay) and the average salary for all other employees, including all regions and contract types, stood at 165 a 1<sup>7</sup>. With regard to the percentage change of the salary received by the company's

chief executive, not accounting for the compensation received after leaving the company in September, there was a decrease of 3 %. With regard to the average compensation of employees, in 2015, there was a 18 % increase<sup>8</sup>. *G4-54, G4-55*

## Audit Commission

The Audit Commission<sup>9</sup> was created in 2002 and, in compliance with the requirements established under standards of good governance<sup>10</sup>, it is made up of independent non-executive directors, which thus provide it with greater objectivity in carrying out its duties. Acting as an independent body, it ensures that group companies act responsibly to guarantee their ethical conduct.

The Commission's functions and duties established by the regulations can be summarized as follows: to oversee and resolve conflicts of interest; to report to the Board on the company's annual accounts; to communicate changes in accounting criteria; to oversee the internal auditing functions; to have an understanding of the financial reporting process and to oversee the internal control systems; and to interact with auditors in determining issues which may put their independence at risk. The commission is also in charge of overseeing the risk control system, on the basis of internal auditing and risk management functions, compliance with corporate governance standards and the [Corporate Social Responsibility Policy](#). *G4-41, G4-42, G4-45, G4-46, G4-47*

It meets at least four times a year and is assisted by the secretary to the Board of Directors.

**Note 5** More information on page 30-32 of the Corporate Governance Report.

**Note 6** External consultants were not involved in determining remuneration policy.

**Note 7** The compensation paid upon leaving the company is not included in the chairman's remuneration, as this is termed as an extraordinary item. The sums received by Felipe Benjumea Llorente from the 1 January 2015 to 23 September 2015, and by José Domínguez Abascal, from 23 September to 31 December 2015, have been accounted for in the calculation.

**Note 8** The figure for average pay of employees is calculated based on the total wage bill (including all types of contracts and employees) and the average payroll of the period.

**Note 9** More information on page 28-30 of the Corporate Governance Report.

**Note 10** Out of the 64 recommendations included in the Code of Good Governance for listed companies, the company complies with 35 and partially with 16. Further information on page 49 and thereafter of the Corporate Governance Report.

## Strategy and Technology Commission<sup>11</sup>

Created in 2014, this Commission addresses the Board's need for a commission specialized in technology, given that technology is one of the most important underpinnings of Abengoa's business model, and it is made up of directors that specialize in different areas of the business.

## Investment Commission<sup>12</sup>

The Investment Commission was created in 2015 with the aim of ensuring control of taking on capital investment commitments (capex).

It is made up of three directors, two of whom are independent and their main duties are: to control and monitor capex commitments; to monitor the budget and external capex objectives established by the company at all times and to report on the commitments to increase and reduce financial debt, the follow-up of the company's financial deleveraging policy and also the dividend distribution policy and the amendments thereof.

## International Advisory Board

In 2010, Abengoa created the International Advisory Board (IAB), a non-regulated voluntary body set up to provide expert technical advice to the Board of Directors on any matters requested by the latter. The mission of the International Advisory Board is to support the Board of Directors by collaborating and offering its knowledge and to address any consultations made by the Board. It may also put any proposals before the Board it deems pertinent based on its experience and analysis.

The IAB is made up of 12 experts of renowned international prestige in a variety of fields and who hold their office for a maximum two-year term. Members are elected by the Board of Directors, which has the power to reelect them.

In 2015, Mr. Edward Lewis and Mr. Luis Téllez joined, both with extensive international experience in different institutional and business areas.

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**Note 11** Further information on pages 32-33 of the Corporate Governance Report.

**Note 12** More information on pages 33-34 of the Corporate Governance Report.