E Risk management and monitoring systems

E.1 Explain the scope of the Company's Risk Management System, including those of a fiscal nature.

Abengoa's risk management system is a global and dynamic system. The scope of action of this 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 Directors. It works comprehensively and continuously, consolidating this management according to the area, business unit or activity, subsidiaries, geographical areas and support areas at corporate level.

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 risk model which is the methodology that Abengoa uses to identify, compress and assess 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 objectives.

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

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

E.2 Indicate the Company's bodies which are in charge of devising and executing the Risk Management System, including that of a fiscal nature.

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

The risks manager is in charge of analyzing 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, including those of a fiscal nature, which could affect the attainment of business objectives.

In the process of identifying, understanding and assessing the risks affecting the company, the following risks factors, some of which are outlined in Form 20-F, filed with the SEC on 23 February 2015, have been taken into account:

General Risks

- Abengoa operates in a sector of activity particularly linked with the economic cycle.
- Risks derived from depending on 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 delays and cost overruns in activities of an Engineering and construction nature 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 license agreements.
- Incomes derived from long-term agreements: risks derived from the existence of clauses and/or renewal of license 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

- Risk relating to the possibility that Abengoa could request insolvency proceedings in the event that the company does not reach a refinancing agreement with its main financial creditors before 28 october 2016.
- Risks related to Abengoa's short and medium-term liquidity needs.
- Risks related to selling the shareholding or the loss of control of Abengoa Yield.
- Abengoa operates with enormous levels of indebtedness.
- Risks arising from the need to generate positive cash flows.
- 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
- Risks arising from Abengoa's credit rating downgrade.
- Risks arising from Abengoa's dividend policy.
- 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.
- Risk of litigation and other legal processes.

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 or not the company has a risk tolerance level, including for risks of a fiscal nature.

Abengoa has a risk tolerance level established at corporate 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.

E.5 Identify the risks, including those of a fiscal nature, that have materialized during the financial year.

Abengoa endured certain risks during the 2015 financial year, the most significant of which are described below.

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. Throughout recent financial years and especially that of 2015, various amendments to regulations took place in the jurisdictions where Abengoa operates (mainly in the United States and Brazil), mainly in relation to activity concerning renewable energy generation and biofuel production, which affected the profitability of Abengoa's current and future projects, the conditions to effectively compete with non-conventional renewables and other kinds of energy, and the ability to complete some ongoing projects.

However, investments in fixed assets (capex) which are higher than those anticipated in projects with a high return but which are extremely demanding in terms of capital in Brazil, Chile and Mexico have impacted on Abengoa's liquidity position and have led to a significant drop in the shares and debt instruments pertaining to Abengoa listed on the stock exchange during the 2015 financial year. All of this has limited access to capital markets and, at the same time, led to a deceleration in the rate of approval of working capital renewals (non-recourse factoring and confirming) by some financial entities, which has all led to a reduction in the liquidity position.

All of the aforementioned, along with Abengoa's high levels of debt, led the company to launch an action plan in September 2015, with measures aimed at reducing the leverage and improving the liquidity position, whereby a set of measures were approved in the Abengoa Extraordinary General Shareholders' Meeting on 10 October 2015, including a capital increase proposal with the aim of increasing the company's own funds by a cash amount of (face value plus premium) of 650,000,000 euros, in order to reinforce the company's liquidity situation and reduce its levels of debt.

The fact that it was not possible to carry out the planned capital increase due to no agreement being reached between the company and the placement financial entities and potential investors led the company to begin a negotiation process with its creditors with the aim of reaching an agreement to guarantee its financial sustainability, pursuant to Article 5 bis of the Spanish Insolvency Law. For these purposes, the company submitted the communication set out in Article 5 bis of the Spanish Insolvency Law to the Commercial Court of Seville on 25 November 2015.

On 28 March 2016 Abengoa submitted before the Commercial Court of Seville a request for approval of the Standstill Agreement which had been supported by the 75.04% of financial creditors that had been addressed.

E.6 Explain the response and supervision plan for the main risks the Company faces, including those of a fiscal nature.

There is a specific action plan in place 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