



2016 turned into a year of extraordinary difficulty and complexity for Abengoa, due to the combination of different circumstances that occurred during the company's restructuring process.

Abengoa renewed its Board of Directors, which, like the previous one, will be governed and will thoroughly comply with the principles of efficiency and transparency established in the main recommendations and existing standards, as well as by the International Corporate Governance Network (ICGN) or the Good Governance Code of Listed Companies at the National Securities Market Commission (CNMV). We believe that applying these guidelines in decision-making not only favours proper management of the company's operations, but also improves its profitability and contributes to sustainable development wherever the company performs its activity.

In March 2016, the new **Corporate Governance policy** was approved, which is based on the **following principles**:

- (i) Compliance with current legislation, seeking to **assume the best national and international practices** in matters of **good corporate governance** and adapting both the internal rules that govern the performance of Abengoa and its governing bodies as well as the mechanisms introduced for internal control to the very highest standards in this issue, always in accordance with the corporate reality.
- (ii) **Achieving the social interest**, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising the economic value of Abengoa.
- (iii) **Transparency in management of the company**, ensuring that the information transmitted to the market is always truthful and correct.
- (iv) The **participation of Abengoa shareholders**, with respect to the principle of equal treatment of shareholders who are in the same circumstances, attempting to promote their involvement in corporate life and introducing mechanisms for effective and recurrent communication with them. To this end, the Board of Directors of Abengoa has approved a policy of communication and contacts with shareholders, institutional investors and proxy advisers to establish the basis for communication and its channels.

- (v) Adapting both the **composition of the company's management body** and its operating and organisational standards to the most advanced corporate governance practices, ensuring that its structure and composition enable the effective functioning of that body and in accordance with the reality of Abengoa.

The Board of Directors assures the regulatory compliance, applying due diligence to ensure that the company complies with all regulatory and legal requirements that apply in the countries in which it operates.

For the purpose of disclosing its corporate governance performance to its stakeholders, Abengoa has published a [Corporate Governance Report](#) every year since 2009.

Governing bodies

At the date of this report, the Board of Directors¹ comprises six directors: five men and one woman. Of these, five are independent and one executive. The chairman, Gonzalo Urquijo Fernández de Aroz, sits on the Board of Directors of other listed companies, Vocento, S.A., Gestamp Automoción, S.A. and Fertiberia. Likewise, José Luis del Valle Doblado sits on the Board of Directors of Lar España Real Estate SOCIMI, S.A.

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Name	Type of director	Position
Mr. Gonzalo Urquijo Fernández de Aroz	Executive director	Executive chairman
Mr. Manuel Castro Aladro	Independent director	Independent lead director Member of the Audit Commission
Mr. José Wahnnon Levy	Independent director	Chairman of the Audit Commission
Ms. Pilar Cavero Mestre	Independent director	Chairwoman of the Appointments and Remuneration Commission
Mr. José Luis del Valle Doblado	Independent director	Member of the Audit Commission
Mr. Ramón Sotomayor Jáureguie	Independent director	Member of the Appointments and Remuneration Commission

The CV of all members of the governing bodies of Abengoa are available on the company's [website](#).

At 31.12.2016 the Board of Directors also included Javier Targhetta Roza as independent director, who resigned his position in January 2017 for personal reasons.

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This Board is the governing body of Abengoa. In accordance with good governance practices, the strengthening and efficiency in the development of the board's duties requires specialised commissions. Accordingly, the Abengoa Board of Directors is assisted by the Appointments and Remuneration and Audit commissions.

The two commissions are composed exclusively of independent nonexecutive directors and are assisted by a secretary who is not a board member.

Note 1 For further information, please refer to the [Corporate Governance Report](#).

In 2016, the **Board met on 32 occasions**, at which it addressed the most significant operational issues and those situations that required management responses. Chief among the items dealt with was the **financial and recapitalisation restructuring process** that began in November 2015, following notification to the court of the communication set out in article 5bis of the Insolvency Act², informing the court that negotiations had commenced with the company's main creditors to reach a refinancing agreement.

This restructuring process was carried out during 2016, requiring close monitoring by the Board of Directors until its closure in March 2017.

The Board also reviews the tasks assigned to the different commissions and commissions whose functions depend on the Board. In this regard, the Board of Directors is responsible for **approving**, among other issues, **the company's general strategies and policies and, more specifically, the strategic or business plan, as well as management targets, the investments and financing policy, the Corporate Social Responsibility policy³ and the risk management and control policy**, which nevertheless is supervised by the Audit Commission.

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The Board regulations set out that the principle of equal treatment must apply in relations with shareholders in the same position and be guided by the corporate interests. Accordingly, to create the appropriate mechanisms to be aware of proposals from shareholders related to social management, organising informative meetings on the company's progress and opening the channels required for the regular exchange of information with groups of shareholders⁴.

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

In addition, the Regulations determine that one of the independent directors must be appointed to, among other issues, gather together and coordinate the concerns of non-executive directors, request the calling of the Board of Directors or the inclusion of new items on the agenda, maintaining contact with investors and shareholders to find out their points of view and their concerns, in particular in issues of corporate governance of the company, and overseeing the chairman assessment process.

Note 2 [More detailed information about the article can be found in the 2015 Integrated report.](#)

Note 3 [The Corporate Social Responsibility policy was unanimously approved at the Board of Directors on 27 July 2015.](#)

Note 4 [Further information in the chapter on \[financial capital\]\(#\).](#)

In addition to the provisions of the aforementioned Regulations, on 30 March 2016 the Board approved the policy of communications and contacts with shareholders and institutional investors. This can be consulted on the company's website www.abengoa.com.

Appointments and Remuneration Commission

The Appointments and Remunerations Commission⁵ is composed exclusively of independent non-executive directors, which confers greater objectiveness in the performance of its duties. Its main purpose is to **inform or propose**, as appropriate, to the Board of Directors with regard to the **appointments, re-elections, resignations and remuneration** of the Board and of its positions, as well as with regard to the general policy on remunerations and incentives⁶ of its members and of senior management, which is also approved at the General Meeting of Shareholders.

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By the same token, every year this commission verifies the continuity of the conditions required for designation of a director and the nature or type assigned. It is the body responsible for selecting profiles that best represent the needs of the different stakeholders among professionals from 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. All this in accordance with the provisions of the director selection policy approved by the Board on 30 March 2016. In addition, it ensures that when new vacancies are filled the selection procedures are not biased by gender, religion, race, etc.

We should point out that members of the Board of Directors of Abengoa were appointed by the General Meeting of Shareholders on 22 November 2016 and, in compliance with the undertakings assumed within the framework of the restructuring agreement signed on 24 September 2016, were proposed by the Appointments and Remuneration Commission on the basis of the selection and proposal made by the consultancy firm Spencer Stuart.

In this regard, Spencer Stuart and the Appointments and Remuneration Commission assessed the capabilities and merits of the various candidates and proposed those candidates considered most appropriate taking into account the characteristics of Abengoa and its current circumstances.

Note 5 [Further information on pages 30-32 of the Corporate Governance Report.](#)

Note 6 [No outsourced consultants have taken part in determination of the remuneration policy.](#)

This committee is also tasked with **assessing performance** of the Board of Directors, examining and organising the succession of the chairman and CEO, notifying appointments and removals of senior managers, and reporting on gender diversity issues.

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Audit Commission

In compliance with the requirements set out in the good governance regulations, the Audit Commission⁷ comprises non-executive and independent directors that provide greater objectivity in the performance of its duties. From its independent standpoint, it **ensures that companies are responsible in their actions**, guaranteeing ethical behaviour.

The functions of the Commission and its statutory powers can be summarised as follows: monitoring and resolving conflicts of interest; reporting to the Board on the financial statements of the company; communicating changes in accounting criteria; overseeing the internal audit functions; being aware of the financial reporting process and supervising the internal control systems; and interacting with the auditors to identify issues that could jeopardize its independence. In addition, it is responsible for supervising the risk control system based on the functions of internal auditing and risk management, compliance with the corporate governance rules and the Corporate Social Responsibility policy. *G4-41, G4-42, G4-45, G4-46, G4-47*

The Commission meets at least four times a year and is assisted by the Secretary of the Board of Directors.

Both the Commission on Strategy and Technology and the Investment Commission and the International Advisory Council were eliminated by the end of 2016 to simplify the structure of the organisation.

Note 7 Further information on pages 28-30 of the Corporate Governance Report.