

03

Annual Report 2016

Corporate Governance

ABENGOA

Innovative technology solutions for sustainability



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01. Annual report on
corporate governance
of listed public limited
companies



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
27-10-2016	1,834,252.65	941,805,965	9,171,263,234

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

Yes

Class	Number of shares	Nominal unit	Number of voting rights	Different rights
A	83,125,831	0.02	100	Without different rights
B	858,680,134	0.0002	1	See section H "Other Information of Interest" at the end of the report

A.2 Breakdown of direct and indirect holders of significant shareholdings in the company as of the end of the financial year, excluding directors:

Name or company name of shareholder	Number of direct voting rights	Indirect voting rights		% of total voting rights
		Direct owner of shares	Number of voting rights	
Inversión Corporativa, I.C., S.A.	4,100,673,689	Finarpisa, S.A.	546,518,300	50.67 %
Finarpisa, S.A.	546,518,300		-	5.96 %

Indicate the most significant changes in the shareholding structure that have occurred during the financial year:

N/A

Personal or corporate name of the shareholder	Date of the transaction	Description of the transaction
N/A	N/A	N/A

A.3 Complete the following tables about members of the board of directors of the company who have voting rights over company shares:

Personal or corporate name of the director	Number of direct voting rights	Indirect voting rights		% of total voting rights
		Direct owner of shares	Number of voting rights	
Gonzalo Urquijo Fernández de Araoz	0	0	0	0
Manuel Castro Aladro	0	0	0	0
José Luis del Valle Doblado	0	0	0	0
José Wahnnon Levy	0	0	0	0
Ramón Sotomayor Jáuregui	0	0	0	0
Javier Targhetta Roza	0	0	0	0
Pilar Caverro Mestre	0	0	0	0

% total of voting rights held by the board of directors 0,000

Complete the following tables about members of the company's board of directors with rights over company shares:

Not Applicable

Personal or corporate name of the director	Number of direct rights	Derechos indirectos		Number of equivalent shares	% of total voting rights
		Direct owner	Number of voting rights		
Gonzalo Urquijo Fernández de Araoz	0	0	0	0	0
Manuel Castro Aladro	0	0	0	0	0
José Luis del Valle Doblado	0	0	0	0	0
José Wahnon Levy	0	0	0	0	0
Ramón Sotomayor Jáuregui	0	0	0	0	0
Javier Targhetta Roza	0	0	0	0	0
Pilar Cavero Mestre	0	0	0	0	0

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

Name or related corporate name	Relationship type	Brief description
Inversión Corporativa, I.C, S.A. Finarpisa, S.A.	Societal	Inversión Corporativa, I.C, S.A holds 99.99% shares in Finarpisa, S.A.

A.5 Indicate, if applicable, the commercial, contractual, or corporate relationships between significant shareholders and the company and/or its group, unless they are immaterial or result from the ordinary course of business:

N/A

Name or related corporate name	Relationship type	Brief description
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A.6 Indicate whether any private (para-corporate) shareholders' agreements affecting the company pursuant to the provisions of sections 530 and 531 of the Spanish Companies Law (Ley de Sociedades de Capital) have been reported to the company. If so, briefly describe them and list the shareholders bound by the agreement:

Yes

Participants of the agreement	% of share capital affected	Brief outline of the agreement
Finarpisa, S.A. Inversión Corporativa, I.C., S.A. First Reserve Corporation	50.67 %	<p>On 10 October 2011, Inversión Corporativa IC, SA and Finarpisa SA entered into an agreement that regulated the exercise of their respective voting rights in the general meetings of Abengoa in relation to the proposal, appointment, ratification, re-election or substitution of a director to represent the former shareholder of the company, First Reserve Corporation.</p> <p>This agreement was communicated to the CNMV as a relevant fact on 9 November 2011, under record no. 153062.</p> <p>By virtue of said agreement, Inversión Corporativa IC, SA and Finarpisa SA jointly agreed:</p> <p>(i) (i) that during Abengoa's Board of Directors' meeting their proprietary directors will vote (a) on the appointment of the candidate proposed to said board to serve as director designated by the investor based on the co-opting procedure; and (b) the proposal to recommend to the shareholders of Abengoa, that during the next General Shareholders Meeting they appoint, as the case may be, a replacement for the director designated by the investor on the Board of Directors.</p> <p>(ii) to vote in the corresponding General Shareholders Meeting of Abengoa for the appointment of the candidate proposed by the Investor;</p> <p>(iii) as long as First Reserve Corporation or any of its related entities retains Abengoa class B shares or any other instrument convertible in, or exchangeable for, Abengoa class B shares, they cannot propose or ask the Board of Directors to recommend to shareholders any kind of changes to the company bylaws which may adversely affect the equality rights of class B shares and class A shares regarding to the distribution of dividends or other similar distributions as envisaged in the bylaws.</p>
Finarpisa, S.A. Inversión Corporativa, I.C., S.A.	50.67 %	<p>On 27 August 2012, Inversión Corporativa IC, SA and its subsidiary, Finarpisa S.A., amended the aforementioned shareholders' agreement with the Abengoa shareholder, First Reserve Corporation.</p> <p>The amendment to this agreement was communicated to the CNMV as a relevant fact on 27 August 2012, under record no. 172757.</p> <p>The amendment consisted of including in the undertaking described under section (iii) of the agreement of 10 October 2011 the additional obligation of Inversión Corporativa, I.C., S.A. and Finarpisa, S.A. to vote against the proposals for changes to the bylaws described in foregoing section (iii) that were submitted by another shareholder or by the Board of Directors.</p>
Abengoa, S.A. Inversión Corporativa, I.C., S.A.	50.67 %	<p>On 27 August 2012, Abengoa, S.A. entered into a shareholder agreement with its main shareholder, Inversión Corporativa, I.C., S.A.</p> <p>The agreement was communicated to the CNMV as a relevant fact on 27 August 2012, under record no. 172756.</p> <p>By virtue of said agreement, Inversión Corporativa, I.C., S.A., either directly or indirectly through its subsidiary Finarpisa S.A., agrees:</p> <p>(i) to vote in favour of the agreements regarding points 2nd, 3rd, 4th, 5th, 6th and 7th on the agenda of the General Shareholders Meeting held on 30 September 2012, as long as it is first verified that the aforementioned agreements are approved by the majority of the shareholders of class A other than those of Inversión Corporativa;</p> <p>(ii) not to 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 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 quarter 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>

Indicate whether the company is aware of the existence of concerted actions among its shareholders. If so, briefly describe them:

N/A

Participants of concerted action	% of share capital affected	Brief description of the concerted action
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Expressly indicate whether any of such agreements, arrangements, or concerted actions have been modified or terminated during the financial year:

On 23 December 2016 the Company communicated to the Spanish Securities Market Commission, through a relevant fact under record number 246416, the termination of the investment agreement entered into with First Reserve Corporation (FRC) on 3 October 2011, given that, on that date, FRC did not hold any class B shares of the Company or other securities that could be exchanged or converted into class B shares and, therefore, had no stake in the Company's share capital. As a result of such termination, the aforementioned shareholders' agreements between FRC and other shareholders referred to herein, which came about from the investment with FRC, forfeit their raison d'être.

A.7 Indicate whether there is any individual or legal entity that exercises or may exercise control over the company pursuant to section 5 of the Spanish Securities Market Act (Ley del Mercado de Valores). If so, please identify:

Yes

Name or company name
Inversión Corporativa, I.C, S.A.

Comments
At the close of the financial year, Inversión Corporativa, I.C, S.A. directly owns 44.71 % of the share capital in Abengoa, S.A.; and indirectly 5.96 % through its subsidiary Finarpisa S.A. Inversión Corporativa, I.C, S.A. it holds an interest of 99.99 % in Finarpisa S.A.

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

At financial year end:

Number of direct shares	Number of indirect shares (*)	% Total on share capital
5,662,480 (Class A Shares)	0	6.174 %
0 (Class B Shares)	0	0 %
5,662,480 (Total Shares)	0	6.174 %

(*) Held through:

Name or corporate name of the direct holder of shares	Number of direct shares
Total:	

Explain any significant changes, pursuant to the provisions of Royal Decree 1362/2007 that have occurred during the financial year:

Not Applicable

Explain any significant changes

Communication date	Total of direct shares acquired	Total of indirect shares acquired	% total over share capital
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A.9 Describe the terms and conditions and current timeframes that shareholders confer upon the Board of Directors to issue, repurchase, or transfer treasury stock:

The Ordinary General Shareholders Meeting held on 29 March 2015 authorised the Board of Directors to buy back the Company's shares, of any of the classes of shares stipulated in the company bylaws, either directly or through its subsidiary or investee 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 five (5) years from that date, subject to article 144 et seq of the Spanish Companies Act. The authorization expressly includes the acquisition of shares that must be delivered directly to the company's employees or company officers, or as a consequence of the option rights to which they are entitled. Thus, the authorisation conferred upon the Board of Directors for the same purposes, by virtue of the decision taken at the Ordinary General Shareholders meeting held on 6 April 2014, was specifically revoked.

During 2016 there were no transactions with treasury stock.

A.9 bis Estimated floating capital:

	%
Estimated free-float	43.15

A.10 Indicate whether there are any restrictions on transferring shares and/or any restrictions on voting rights. In particular, disclose the existence of any restrictions that might hinder a takeover of the company through the acquisition of its shares in the market.

There are no statutes restricting the transfer of assets or voting rights. However, in the context of the financial restructuring of the Company, its significant shareholders made a commitment of not to transfer their shareholding in the Company until the restructuring operation is completed.

Description of restrictions

A.11 Indicate whether the general shareholders meeting agreed to implement neutralisation measures to prevent public takeovers pursuant to the provisions of Law 6/2007.

No

If applicable, explain the approved measures and the terms under which the restrictions may be ineffective:

A.12 Indicate whether the company has issued securities that are not traded on a regulated market within the European Community.

No

See Section H "Other Information of Interest"

If applicable, specify the different classes of shares, if any, and the rights and obligations attaching to each class of shares.

B. General meeting

B.1 Indicate and, if applicable, describe whether there are differences with the minimum requirements set out in the Spanish Companies Act in connection with the quorum needed for the general shareholders meeting.

No

	% of quorum different to that set out in article 193 of the Spanish Companies Act for general cases	% of quorum different to that set out in article 194 of the Spanish Companies Act for special cases
Quorum required in 1st call		
Quorum required in 2nd call		
Description of the differences		

B.2 Indicate and, if applicable, describe any differences with regard to the system contemplated in the Spanish Companies Act for the adoption of corporate resolutions:

No

Describe how they differ from the rules set out in the Spanish Companies Act.

	Qualified majority other than that established in article 201.2 of the Spanish Companies Act for the cases set out in section 194.1 of the Spanish Companies Act	Other instances in which a qualified majority is required
% established by the entity for the adoption of resolutions		
Describe the differences		

B.3 Indicate the rules applicable to the amendment of the company's bylaws. In particular, disclose the majorities required for amending the bylaws, and, where applicable, the legal provisions for the protection of partner rights regarding the amendment of the by-laws.

Amendments in the Company's by-laws are governed by the Spanish Companies Law, specifically in its Articles 285 and following, and by the Company's internal corporate governance regulations.

The by-laws and the rules and regulations of the general meeting (Articles 29 and 13 respectively) provide a special quorum that may enable the ordinary or extraordinary general meeting 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 convening of shareholders, present or represented, with at least fifty percent of the subscribed share capital with voting rights. In the second call to meeting, it will be sufficient for twenty-five percent of the share capital to be present or represented. 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:

"[...] (B.4) 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."

[...]

"(C.6) 6.2 Separate voting in matters regarding the amendment of bylaws or agreements and other operations that may negatively affect class C shares.

Notwithstanding Article 103 of the Spanish Companies 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 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 Spanish Companies Act, whatever the case may be, the Company's agreements on capital increase under whichever 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 29 of these bylaws, require the approval of the majority of class B shares that may be in circulation.

See Section H "Other Information of Interest"

B.4 Give details of attendance at general meetings of shareholders held during the financial year referred to in this report and also those in the previous financial year:

Date of General Shareholders meeting	% of physical presence	Attendance data				Total
		% of proxy	% of absentee voting			
			Electronic voting	Other		
22-11-2016	6.86	51.29	0.080	0.06	58.29	
30-06-2016	6.58	52.51	0.01	0.64	59.74	
10-10-2015	64.40	3.33	0.00	0.40	68.13	
29-03-2015	64.65	6.78	0.00	0.31	71.74	

B.5 Indicate whether there are any bylaw restrictions requiring a minimum number of shares to attend the general shareholders meeting:

Yes

Number of shares required to attend the general shareholders meeting	375
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See Section H "Other Information of Interest"

B.6 Section deleted.

B.7 Indicate the URL and method for accessing the company's website to access information regarding corporate governance and other information regarding general meetings of shareholders that must be made available to the shareholders through the company's website.

The address of the Abengoa SA website is www.abengoa.com/es and all the necessary and updated information relating to shareholders meetings can be found under the section of shareholders and investors.

The full path to follow is:

http://www.abengoa.es/web/es/accionistas_y_gobierno_corporativo/juntas_generales/

In compliance with the provisions of article 539.2 of the Spanish Companies Act, Abengoa maintains an electronic forum for shareholders in order to facilitate communication between shareholders regarding the convening and holding of all the general meetings of shareholders. In accordance with the regulations on the electronic forum for shareholders, 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.
- › Request for the inclusion of said proposals.
- › Initiatives to reach the required percentage to exercise minority voting rights.
- › Requests for voluntary representation.

C. Structure of the company's governing body

C.1 Board of directors

C.1.1 Maximum and minimum number of directors stipulated in the company by-laws:

Maximum number of directors	16
Minimum number of directors	3

C.1.2 Complete the following table identifying the members of the board:

Personal or corporate name of director	Represent..	Category of the director	Seat on the board	Date of first appointment	Date of last appointment	Election procedure
Gonzalo Urquijo Fernández de Araoz		Executive	Chairman	22/11/2016	22/11/2016	Voting in Shareholders Meeting
Manuel Castro Aladro		Independent	Coordinating Director and Member	22/11/2016	22/11/2016	Voting in Shareholders Meeting
José Luis del Valle Doblado		Independent	Director	22/11/2016	22/11/2016	Voting in Shareholders Meeting
José Wahnnon Levy		Independent	Director	22/11/2016	22/11/2016	Voting in Shareholders Meeting
Ramón Sotomayor Jáuregui		Independent	Director	22/11/2016	22/11/2016	Voting in Shareholders Meeting
Javier Targhetta Roza		Independent	Director	22/11/2016	22/11/2016	Voting in Shareholders Meeting
Pilar Cavero Mestre		Independent	Director	22/11/2016	22/11/2016	Voting in Shareholders Meeting
Total number of directors			7			

Indicate the vacancies on the board of directors during the reporting period:

Personal or corporate name of the director	Category of the director at the time of removal	Leaving date
José Luis Aya Abaurre	Proprietary	12/02/2016
José Domínguez Abascal	Other External	18/04/2016
Claudi Santiago Ponsa	Proprietary	25/05/2016
Javier Benjumea Llorente	Executive	30/06/2016
Antonio Fornieles Melero	Executive	22/11/2016
Joaquín Fernández de Piérola Marín	Executive	22/11/2016
Alicia Velarde Valiente	Independent	22/11/2016
José Joaquín Abaurre Llorente	Proprietary	22/11/2016
Inayaba, S.L. (represented by Ana Abaurrea Aya)	Proprietary	22/11/2016
José Borrell Fontelles	Independent	22/11/2016
Mercedes Gracia Díez	Independent	22/11/2016
Ricardo Hausmann	Independent	22/11/2016
Ricardo Martínez Rico	Independent	22/11/2016
Ignacio Solís Guardiola	Proprietary	22/11/2016

See Section H "Other Information of Interest"

C.1.3 Complete the following tables on the directors and their different categories:

Executive directors

Personal or corporate name of the director	Position within the company structure
Gonzalo Urquijo Fernández de Aroz	Chairman
Total number of executive directors	1
Total % of directors	14.29 %

External proprietary directors

Personal or corporate name of the director	Individual or company name of the significant shareholder represented by the director or that has proposed the director's appointment
0	N/A
Total number of proprietary directors	0
Total % of the Board	0 %

Independent external directors

Personal or corporate name of the director	Profile
Manuel Castro Aladro	He has a Business Administration and Management degree from the Universidad Pontificia de Comillas (ICADE), and an International Executive MBA from the University of Chicago. He began his career at Arthur Andersen and later, in 1992, moved to the banking sector. In 1998 he joined BBVA where he held various positions related to business development until 2009, the year he was appointed Group Chief Risk Officer, a position he held until 2015. Since 2015 he has been independently advising banks and investment funds on issues related to risk management and investments.

Personal or corporate name of the director	Profile
José Luis del Valle Doblado	He has a Mining Engineering degree from the Universidad Politécnica de Madrid and a degree in Nuclear Engineering from the Massachusetts Institute of Technology (MIT), as well as an MBA from Harvard University. He has approximately 35 years' experience at Banco Central Hispanoamericano, Santander Central Hispano, where he participated in the merger between the two banks. He has also held various positions at Iberdrola, where he was CEO of Scottish Power, and was appointed Director of Strategy and Development in 2002. In 2014 he was appointed non-executive chairman of GES Insurers and Reinsurers and Lar Spain, and is an independent director of Ocaso Seguros.
José Wahnon Levy	He has a Business Administration and Management degree from the Universidad de Barcelona and a Law degree from the Universidad Complutense de Madrid as well as a Doctorate from Harvard Business School. He started his career at Pricewaterhouse Coopers, a firm of which he became a partner in 1987, responsible for the financial institutions division between 1975 and 2003 and for the audit division from 2003 until he left the firm in 2007. He was subsequently a director at several enterprises tied to the Deposit Guarantee Fund.
Ramón Sotomayor Jáuregui	He has an in Industrial Engineering degree from the University of Portsmouth and an MBA from Rutgers University. He began his professional career at Ercross Spain and later joined the ThyssenKrupp Group, where he held various positions including CEO for Southern Europe, Africa and the Middle East from 2011-2015. He has also been an independent director of several companies among which are Velatia and Levantina Natural Stone.
Javier Targhetta Roza	He has a Mining Engineering degree from the Universidad Politécnica de Madrid and a PADE in Business Administration through the IESE. He began his career in the metallurgical sector, where he joined the AIPSA project. In 1973 he joined the Sereland consulting firm, where he worked for 8 years. After his experience at Sereland he worked in the naval sector as chairman of the Compañía Transatlántico Española and Empresa Nacional Elcano. In 1990 he was appointed CEO of Rio Tinto Minera, a company that was acquired in 1993 by Freeport McMoran, a position he still holds to date.
Pilar Caveró Mestre	She holds a Law degree from the Universidad Complutense de Madrid, as well as a programme of Leadership of Services Companies from Harvard. She began her career at the Asociación de Cajas de Ahorros en España, and then in 1986 she joined the legal practice sector. In 1990 she joined Cuatrecasas where she has developed her professional career since being named partner in 1993. She is currently an honorific partner of the Practice, without executive functions, and is an independent director of Testa.

Total number of independent external directors	6
Total % of the Board	85.71 %

Indicate whether any director classified as independent receives from the company or its group any amount or benefit for items other than director remuneration, or maintains or has maintained during the last financial year a business relationship with the company or with any company of its group, whether in the director's own name or as a significant shareholder, director, or senior officer of an entity that maintains or has maintained such relationship.

No

If applicable, include a reasoned statement of the director regarding the reasons for which it is believed that such director can carry out the duties thereof as an independent director

Not Applicable

Personal or corporate name of the director	Description of the relationship	Reasoned statement
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Other external directors

Identify the other external directors and describe the reasons why they cannot be considered proprietary or independent directors as well as their ties, whether with the company, its management, or its shareholders:

N/A

Personal or corporate name of the director	Reasons	Company, executive or shareholder with whom the connection is held
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Total number of other external directors

Total % of the Board

Indicate the changes, if any, in the class of each director during the period in the category of each Director:

Personal or corporate name of the director	Date of change	Previous category	Current category
Antonio Fornieles Melero	1/3/2016	Independent	Executive
José Domínguez Abascal	1/3/2016	Executive	Other External

C.1.4 Complete the following table with information regarding the number of female directors for the last 4 financial years, as well as the status of such directors:

	Number of female directors:				% of total of directors of each category			
	Financial year 2016	Financial year 2015	Financial year 2014	Financial year 2013	Financial year 2016	Financial year 2015	Financial year 2014	Financial year 2013
Executive	0	0	0	0	0	0	0	0
Proprietary	0	0	1	1	0	0	14.28	14.28
Independent	1	2	2	2	14.29	33.33	40	50
Other External	0	0	0	0	0	0	0	0
Total:	1	2	3	3	14.29	15.38	18.75	20

C.1.5 Explain any measures adopted to include on the board of directors a number of women that allows for a balanced representation of men and women.

Explanation of the measures

In its Article 1, the regulations of the Appointments and Remuneration Committee provides the following:

“Article 1. Composition. Designation of its members”. [...] “The Appointments and Remuneration Committee shall establish procedures and ensure that when new vacancies arise:

- a) The selection process for board vacancies has no implicit bias against female candidates;
- b) The company makes a conscious effort to include female candidates that meet the professional profile sought.”

It is the responsibility of the Appointments and Remunerations Committee to notify the Board about any issues of gender diversity. It is also obliged to establish a representation target for the less represented sex on the Company's Board of Directors and draft guidelines on how to achieve this target

The Appointments and Remunerations Committee is also responsible for verifying compliance with the board members selections policy. It establishes that the selection process shall begin with an analysis of the needs of the Company and its group of companies, bearing in mind the following: (i) that the appointments are based on the diversity of knowledge, experience and gender within the Board of Directors; and (ii) that the Committee ensures that by the year 2020 the number of female board members shall amount to, at least, thirty percent of the total of the members of the Board of Directors.

Moreover, through the company's Gender Equality Framework Plan, in 2009, to ensure the practice of these values, Abengoa created the Equal Opportunity and Treatment Office (OITO) under the Gender Equality Framework Plan. The mission of this office is to advocate gender equality within the whole organisation, promoting, developing and managing the Gender Equality Plan and other plans associated with it

In addition, the Equal Opportunities and Treatments Committee was set up with the duty of a worldwide follow-up, with its subsequent development of aspects related with equal opportunities between men and women in the Abengoa Group. The Equal Opportunities and Treatments Committee is presided over by the Human Resource Director and integrated, as permanent members, by the heads of Human Resource in the various business units and geographical areas, as well as by the director of Corporate Social Responsibility.

Equal Opportunity and Treatment office (EOTO) within the Framework Plan

It also created an Equal Opportunity and Treatment Commission responsible for making a worldwide follow-up, with its subsequent development, on issues related to equal opportunities between men and women within the Abengoa Group. The Equal Opportunity and Treatment Commission is chaired 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.

C.1.6 Explain any measures approved by the appointments committee in order for selection procedures to be free of any implied bias that hinders the selection of female directors, and in order for the company to deliberately search for women who meet the professional profile that is sought and include them among potential candidates:

Explanation of the measures

The Appointments and Remunerations Committee is responsible for assessing the capabilities, knowledge and experience required on the Board, defining the necessary aptitudes and functions of the candidates for covering its vacancies, assessing the time and dedication needed for the appropriate execution of their jobs.

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

In the context of restructuring Abengoa and pursuant to the terms and conditions of the Restructuring Agreement that the Company signed on 24th September 2016, Abengoa's Board of Directors was completely modified, both in number and composition, at the Extraordinary General Meeting of Shareholders held on 22nd November 2016.

En the selection process for new members of the Board of Directors, all of them independent except one, the Appointments and Remunerations Committee, for that purpose, using the proposal of Spencer Stuart, strived for the inclusion of women among other candidates and, at least, one woman among those finally selected.

If there are few or no female directors despite any measures adopted, describe the reasons for such result:

Explanation of the reasons

The members of the Board of Directors of Abengoa were appointed by the General Shareholders Meeting on 22 November 2016 and, in compliance with the undertakings assumed under the restructuring agreement signed on 24 September 2016, were proposed by the Appointments and Remuneration Committee on the basis of selection and proposal carried out by the consulting firm Spencer Stuart.

In this regard, Spencer Stuart and the Appointments and Remuneration Committee 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.

C.1.6 bis Explain the conclusions of the appointments committee regarding verification of compliance with the director selection policy. Particularly, explain how said policy is promoting the goal that the number of female Board of Directors represents at least 30% of all members of the Board of Directors by 2020.

The policy for selecting directors sets out that, when making such a selection, this shall be based on analysing the needs of the Company and of its group of companies, further taking into account (i) that the appointments must favour diversity of expertise, experience and gender on the Board of Directors; and (ii) that by 2020 the number of female directors must represent at least 30% of all members of the Board of Directors. External advisors may be brought in to assist with the selection of directors.

In accordance with the directors' selection policy, said directors must be persons respectable in the society, qualified and with recognised expertise, competence, experience, qualifications, training, availability and commitment to their duties, seeking to ensure that the composition of the Board of Directors is diverse and balanced.

The Extraordinary General Shareholders meeting held on 22 November 2016, following a positive report issued by the Appointments and Remuneration Committee in the case of the executive director and at its proposal in the case of independent directors, renewed the composition of the Board of Directors by appointing the current directors of Abengoa, among which there directors with financial, industrial and legal profiles.

As described in the mandatory reports of the Board of Directors in this respect, the appointment proposals were formulated within the framework of the obligations assumed by the company under the agreement for the restructuring of the financial debt and recapitalisation of the group of companies of which Abengoa is the parent company. This involves the undertaking to submit a proposal for approval by an Extraordinary General Shareholders meeting with regard to renewal of the composition of the company's Board of Directors, by replacing all directors with people that comply with the conditions to be considered as independent external directors of the Company, based on the candidate proposal put forward by Spencer Stuart, a firm that specialises in providing human resource consultancy services, to enable the Company's Board of Directors to comprise a majority of independent external directors.

The selection of directors, made by the firm, Spencer Stuart, and on which the Appointments Committee bases its reports and proposals, took into account (i) the company's needs at a time of financial difficulties; (ii) the required diversity of profiles, combining people with an industrial profile, required for a greater understanding of the business, as well as financial and legal persons capable of understanding the complex financial situation the company was in; and (iii) the capability, demonstrated qualifications and experience of the different candidates, thus fulfilling the objectives set out in the policy for selection of directors and with the conditions it sets out when selecting candidates.

Based on previous considerations, the Appointments and Remunerations Committee concluded that the board member selection policy was satisfactorily applied in 2016

C.1.7 Explain the form of representation on the board of shareholders with significant holdings.

In 2016, the shareholders with significant shares were represented through proprietary directors that perform their duties on the basis of the Company's code of conduct and the remaining standards that apply to all members of the Board.

At the close of the financial year, after replacing former members of the Board of Directors with others holding the nature of independent or executive directors, the significant shareholders were no longer represented on the board by proprietary directors.

C.1.8 Explain, where applicable, the reasons why proprietary directors have been appointed at the proposal of shareholders whose shareholding interest is less than 3 % of share capital:

Not Applicable

Personal or corporate name of the shareholder	Justification
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Indicate 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 met:

N/A

Personal or corporate name of the shareholder	Explanation
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C.1.9 Indicate whether any director has resigned from his/her position as such before the expiration of the director's term of office, whether the director has given reasons to the board and by what means, and in the event that the director gave reasons in writing, describe at least the reasons given thereby:

Name of director	Reason for withdrawal
José Luis Aya Abaurre	Passed away on 12 February 2016
José Domínguez Abascal	Submitted his resignation to the Board of Directors on 18/04/2016 for personal reasons.
Claudi Santiago Ponsa	Submitted his resignation to the Board of Directors on 25/05/2016 in light of the expected new shareholding body of the Company resulting from the restructuring process.
Javier Benjumea Llorente	Removed from office as an executive director through a resolution adopted by the Ordinary General Shareholders meeting on 30 June 2016 at the second call.
Antonio Fornieles Melero	Submitted his resignation to the Extraordinary General Shareholders meeting on 22 November 2016 due to the Company's restructuring process.
Joaquín Fernández de Piérola Marín	Submitted his resignation to the Extraordinary General Shareholders meeting on 22 November 2016 due to the Company's restructuring process.
Alicia Velarde Valiente	Submitted his resignation to the Extraordinary General Shareholders meeting on 22 November 2016 due to the Company's restructuring process.
José Joaquín Abaurre Llorente	Submitted his resignation to the Extraordinary General Shareholders meeting on 22 November 2016 due to the Company's restructuring process.
Inayaba, S.L. (represented by Ana Abaurrea Aya)	Submitted his resignation to the Extraordinary General Shareholders meeting on 22 November 2016 due to the Company's restructuring process.
José Borrell Fontelles	Submitted his resignation to the Extraordinary General Shareholders meeting on 22 November 2016 due to the Company's restructuring process.
Mercedes Gracia Díez	Submitted his resignation to the Extraordinary General Shareholders meeting on 22 November 2016 due to the Company's restructuring process.
Ricardo Hausmann	Submitted his resignation to the Extraordinary General Shareholders meeting on 22 November 2016 due to the Company's restructuring process.
Ricardo Martínez Rico	Submitted his resignation to the Extraordinary General Shareholders meeting on 22 November 2016 due to the Company's restructuring process.

Name of director	Reason for withdrawal
Ignacio Solís Guardiola	Submitted his resignation to the Extraordinary General Shareholders meeting on 22 November 2016 due to the Company's restructuring process.

C.1.10 Indicate, where applicable, any powers delegated by any Chief Executive Officer:

Personal or corporate name of the director	Brief description
Gonzalo Urquijo Fernández de Araoz	General Powers that can be jointly exercised with other attorneys-in-fact of the Company

C.1.11 Identify, where applicable, any members of the board who are directors or officers of companies within the listed company's group:

Not Applicable

Personal or corporate name of the director	Corporate name of group entity	Post	Does he/she holds executive responsibilities
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C.1.12 Provide details, where applicable, of company directors who also sit on the boards of other entities listed on different official stock markets to their group, of which the company is aware:

Personal or corporate name of the director	Corporate name of the listed company	Post
Gonzalo Urquijo Fernández de Araoz	Vocento, S.A.	Director
José Luis del Valle Doblado	Lar España Real Estate SOCIMI, S.A.	Chairman

C.1.13 Indicate and, if applicable, explain whether the regulations of the board have established rules regarding the maximum number of boards on which its directors may sit:

Yes

Explanation of the rules

Article 14 of the Board Regulations limits the number of boards on which company directors may sit.

"[...] Directors are obliged by virtue of their office, in particular, to:

[...]

(n) Participate actively and with dedication in the matters covered by the Board of Directors, and follow them up, gathering the necessary information. For the foregoing purposes, in order to ensure the adequate time allocation of the directors for the correct performance of their functions and without prejudice to the terms of article 16 herein below, which shall, in any event, be applicable, the directors may not simultaneously hold more positions in listed companies than those which are set out in one of the following combinations:

i. An executive position together with three non-executive positions.

ii. Five non-executive positions.

The term executive position shall be understood to mean a position for which management functions are performed

irrespective of the legal nature of the functions carried out.

The foregoing restrictions relate only to positions on the boards of directors of other listed companies, although if a director were to participate on the board of directors

of other unlisted companies and such participation were to involve a high degree of dedication, such director must immediately inform his intention and the Appointments and Remuneration Committee shall evaluate the authorisation to join such board of directors.

The executive positions or non-executive positions which are held within a single corporate group or in commercial companies in which the Company holds a shareholding of at least 10% of the share capital or of the voting rights shall be considered to constitute a single position".

C.1.14 Section deleted.**C.1.15** Indicate the overall remuneration of the board of directors:

Remuneration of the board of directors (in thousands of Euros)	2,782
Amount of remuneration for the concept of accumulated pension entitlements for current directors (in thousands of Euros)	0
Amount of remuneration for the concept of accumulated pension entitlements for former directors (in thousands of Euros)	0

C.1.16 Identify the members of the company's senior management who are not executive directors and indicate the total remuneration accruing to them during the financial year:

Name or Corporate Name	Post	Body	AD Date
Mr. Joaquín Fernández de Piérola	Managing Director	Executive Committee	From 22.11.16
Mr. Daniel Alaminos Echarri	General and Board Secretary	Executive Committee	From 22.11.16 (*)
Mr. Víctor Manuel Pastor Fernández	Finance Director	Executive Committee	From 22.11.16
Mr. David Jiménez-Blanco Carrillo de Albornoz	Director of Restructuring and Strategy	Executive Committee	From 22.11.16
Mr. Álvaro Polo Guerrero	Director of Human Resources	Executive Committee	From 22.11.16 (*)
Mr. Juan Carlos Jiménez Lora	Director of Appointments and Remunerations	Strategy Committee	Until 22.11.16
Mr. Armando Zuluaga Zilbermann	Director of Solar Business Group	Strategy Committee	Until 22.11.16
Mr. Germán Bejarano García	Director of Int. Institutional Relations.	Strategy Committee	Until 22.11.16
Mr. Antonio Vallespir de Gregorio	Director of the Bioenergía Business Unit	Strategy Committee	Until 22.11.16
Mr. Alfonso González Domínguez	Director of ICI Business Unit	Strategy Committee	Until 22.11.16
Mr. Enrique Borrajo Lovera	Director of Consolidation	Strategy Committee	Until 22.11.16

Name or Corporate Name	Post	Body	AD Date
Mr. Miguel Ángel Jiménez de Velasco Mazarío	Director of Regulations Compliance	Strategy Committee	Until 22.11.16
Mr. Jesús Ángel García-Quílez Gómez	Finance Director	Strategy Committee	Until 22.11.16
Mr. Teodoro López del Cerro	Technical General Secretary	Strategy Committee	From 23.08 Until 22.11.16
Mr. Pedro Almagro Gavilán	Director of Vertical de Agua	Strategy Committee	From 23.08 Until 22.11.16
Mr. Arturo Buenaventura Pouyfaucón	Director Abengoa Research	Strategy Committee	From 23.08 Until 22.11.16
Mr. Luis Enrique Pizarro Maqueda	Director of Internal Audits	Strategy Committee	Until 30.11.16
Mr. Enrique Aroca Moreno	Director of Simosa IT	Strategy Committee	Until 17.10.16
Ms. Ana Raquel Díaz Vázquez	Technical General Secretary	Strategy Committee	Until 31.05.16
Mr. Manuel Doblaré Castellanos	Director Abengoa Research	Strategy Committee	Until 31.05.16
Mr. Carlos Cosín Fernández	Director of Grupo de Negocio Agua	Strategy Committee	Until 06.05.16
Total Remuneration of Top Management (in thousands of Euros)			2,348 thousands of Euros

See Section H "Other Information of Interest"

C.1.17 Indicate the identity of the members of the board, if any, who are also members of the board of directors of significant shareholders and/or in entities of their group:

Not Applicable

Personal or corporate name of the director	Corporate name of significant shareholder	Post
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Describe any significant relationships, other than the ones contemplated in the point above, of the members of the board of directors linking them to significant shareholders and/or companies within their group:

N/A

Name or company name of associated director	Name or company name of associated significant	Description of relationship
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C.1.18 Indicate whether the regulations of the board was amended during the financial year:

Yes

Description of amendments

Pursuant to the resolution of the Board of Directors dated 30 March 2016 the Board regulations were amended to adapt their content to the Corporate Governance Recommendations included in the Good Governance Code of Listed Companies approved through a Resolution from the CNMV Board dated 18 February 2015. In particular articles 4, 6, 10, 11, 13, 14, 19, 20, 21, 23, 27 and 28 of the foregoing regulations were modified.

Furthermore, at its meeting held on 13 June 2016 the Board of Directors of Abengoa unanimously agreed to amend article 30 of the Board regulations in order to complete the functions of the Investment Committee.

Lastly, at its meeting held on 22 November June 2016, the Board of Directors of Abengoa unanimously agreed to amend articles 3, 14, 18, 20, 21, 27 and 28 and to revoke articles 29 and 30 of the Board regulations for the dual purpose of improving the degree of compliance with the recommendations in issues of corporate governance, as well as to adapt their content to the latest version of the by/laws resulting from the amendments approved by the shareholders general meeting held on that same day.

C.1.19 Indicate the procedures for the selection, appointment, re-election, evaluation, and removal of directors. Describe the competent bodies, the procedures to be followed, and the criteria applied in each of such procedures.

The Appointments and Remunerations Committee is the competent body for drafting, insofar as independent directors are concerned, and reporting on, in the case of all other directors, the proposal to be presented to the Board of Directors for appointment by co-opting or for subsequent submission before the General Shareholders meeting, as well as proposals for their re-election or discharge by the General Shareholders meeting, applying criteria of independence and professionalism set out in the Board regulations and the Commission regulations, and ensuring that they hold the recognised creditworthiness and suitable knowledge, prestige and professional experience to perform their duties pursuant to the provisions set out in the director selection policy.

With regards to the procedures for selecting and appointing independent directors, the Appointments and Remunerations Committee is the body in charge of 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 the principles of merits and capacity, promoting gender equality and rejecting all kinds of direct or indirect gender discrimination.

Thus, the Appointments and Remunerations Committee performs annual inspections to verify the sustenance of the conditions met for the appointment of a director and the nature and typology assigned to said member, and such information shall be included in the annual report on corporate governance. The Appointments Committee likewise strives to ensure that the selection procedures for filling vacancies refrain from implicit bias that may hinder the inclusion of females that fit the required profile among the potential candidates. Its functions also include reporting to the Board of Directors on appointments, re-elections, terminations and remuneration for senior management, as well as proposing to the Board the general remuneration policy and incentives for Directors and senior management, individual remuneration of Directors, the other contractual terms and conditions of each executive director and the basic contractual conditions for senior management, as well as informing the Board of Directors beforehand on all proposals to be submitted to the General Shareholders meeting for the appointment or dismissal of directors, even in cases of cooptation by the Board of Directors itself.

The performance appraisal of the Board of Directors and its Committees is overseen and organised by the Appointments and Remunerations Committee through substantiated reports filed with the Board during the meeting held in the following first quarter, after the closure of the financial year in question and after the accounting deadline and after issuance of the auditor's report or, at least, its draft, given its importance as assessment criteria. Based on the result of the assessment, the Appointments and Remunerations Committee proposes an action plan for correcting the identified shortcomings.

C.1.20 Explain the extent to which the self-evaluation of the board has given rise to significant changes in its internal organisation and regarding the procedures applicable to its activities:

There were no significant amendments made as a result of the annual evaluation of the Board.

Description of amendments
N/A

C.1.20.bis Describe the evaluation process and the areas evaluated by the board of directors, as it may be assisted by an external consultant, regarding diversity in its composition and powers, the operation and composition of its committees, the performance of the chairman of the board and chief executive officer, and the performance and contribution of each director.

On this report's preparation date the board of directors had not yet completed its annual assessment due to the special circumstances the company, and especially its administrative organ, went through in 2016. The administrative organ focused its attention mainly on negotiating the financial debt restructuring agreement which was finally agreed upon on 24 September 2016. Following the endorsement of the refinancing agreement the entire Board of Directors, including the executive board members, resigned. The current board members, out of which only one is an executive, were appointed in replacement of the preceding by the General Meeting of Shareholders held on 22 November 2016. As the governing body, they are in charge of managing the fulfilment of the terms and conditions of the effectiveness of the refinancing agreement and, in general, henceforth the exercise of the faculties of the company's management and administration. This singular situation, void of continuity in the composition of the organ, explains why the current board of directors, acting on the Appointments and Remuneration Committee's proposal, decided to engage external consultancy in the assessment of the board of directors and its committees, as well as individual board members.

The consultancy for which the external consultant would be engaged, which shall serve as reference for the current board of directors for assessing its functions in the 2016 financial year and initiatives that could improve their functions during the 2017 and subsequent financial years, shall focus, firstly, on analyzing the function of the board and its committees, and for that purpose, requesting information from all board members who may have performed duties in 2016 by obtaining responses from them through questionnaires issued to them with instructions that they must answer questions deemed especially relevant in relation to the functioning of the board; and, secondly, in assessing the participation and the individual performance of each one of the Company's board members, in light of the functions and duties that, based on the

different typologies to which they are ascribed, attributed to them by law and the internal regulations of the Company's corporate governance.

The external consultant shall be independent, and the Appointments and Remunerations Committee shall evaluate and specifically comment on said independence before it is engaged and prior to executing its duties.

The consultant's report, the Appointments and Remunerations Committee's report and the assessment that the administrative body may deduce from them shall be object of consideration and decision in a session of the board of directors prior to the holding of the 2017 ordinary general shareholders meeting

C.1.20.ter List any business relationships of the consultant or any company of its group with the company or any company of its group.

N/A

C.1.21 Indicate the circumstances under which the resignation of directors is mandatory.

In accordance with the provisions in article 13 of the Board of Directors' regulations, 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 Board of Directors' regulations.

Directors are obliged to surrender their posts to the Board of Directors and to resign, if the board deems it convenient, in the following cases:

- › a) If they fall within any of the grounds for incompatibility or prohibition as prescribed by the law.
- › (b) If deemed severely liable by any public authority for infringing upon their obligations as directors.
- › (c) If the Board itself requests it so for having infringed upon their obligations as board members.

In the case of independent directors, the Board cannot ask them to resign prior to elapse of the statutory period for which they were appointed, unless (i) there has been a public takeover bid, a merger or other kind of similar corporate operation that involves a change to the company's share capital, and as a consequence of this there are changes required to the structure of the Board of Directors to maintain the proportionality between proprietary and non-executive directors; or (ii) that there are just grounds in the opinion of the Board following a report from the Appointments and Remuneration Committee.

- › (d) When, in the case of proprietary directors, the shareholder they represent transfers all of their shareholding or reduces it to a level that requires a reduction to the number of proprietary directors, in the latter case by the corresponding proportion.
- › (e) In those cases where their actions may harm the credit and reputation of the Company.

C.1.22 Section deleted.

C.1.23 Are qualified majorities, different from the statutory majorities, required to adopt any type of decision?

No

If applicable, describe the differences.

Description of the differences

C.1.24 Explain whether there are specific requirements, other than the requirements relating to directors, to be appointed chairman of the board of directors.

N/A

Description of requirements

C.1.25 Indicate whether the chair has the casting vote:

Yes

Matters in which there is a casting vote

In the event of ties.

C.1.26 Indicate whether the by-laws or the regulations of the board set forth any age limit for directors:

No

Age limit for chairperson

Age limit for chief executive Age limit for director

C.1.27 Indicate whether the by-laws or the regulations of the Board establish any limit on the term of office for independent directors that is different than the term provided by regulatory provisions:

No

Maximum number of terms

C.1.28 Indicate whether there are formal rules for proxy-voting at meetings of the board of directors, the manner of doing so, and especially the maximum number of proxies that a director may hold, as well as whether any restriction has been established regarding the categories of directors to whom proxies may be granted beyond the restrictions imposed by law. If so, give brief details.

Article 10 of the Board of Directors' regulations governs the delegation of voting rights in the following way:

"Members of the Board of Directors may only delegate their representation to another member of the Board. Non-executive directors may only be represented by other non-executive members of the Board of Directors. Representation of absent directors may be granted by means of written communication of any nature addressed to the Chairmanship, which is sufficiently competent to accredit the representation granted and the identity of the represented director."

C.1.29 Indicate the number of meetings that the board of directors has held during the financial year. Also indicate, where applicable, how many times the Board has met without the Chairman being present: Proxies granted with specific instructions shall be counted as attendance.

Number of meetings of the Board	32
Number of Board meetings without the Chairman attending	0

If the chair is an executive director, Indicate the number of meetings held without the presence in person or by proxy of any executive director and chaired by the lead independent director

Number of meetings	0
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Indicate the number of meetings held by the different committees of the board of directors during the financial year:

Number of meetings of the executive committee	N/A
Number of meetings of the audit committee	11
Number of meetings of the appointments and remuneration committee	12
Number of meetings of the appointments committee	N/A
Number of meetings of the remuneration committee	N/A

C.1.30 Indicate the number of meetings that the board of directors has held during the financial year with the attendance of all of its members. Proxies granted with specific instructions shall be counted as attendance.

Number of meetings with the attendance of all directors	22
% of attendances of the total votes cast in the year	68.75

C.1.31 Indicate whether the annual individual accounts and the annual consolidated accounts that are submitted to the board for approval are previously certified:

No

Identify, if applicable, the person/persons that has/have certified the annual individual and consolidated accounts of the company for preparation by the board:

Name	Post
Enrique Borrajo Lovera	Consolidation Manager

C.1.32 Explain the mechanisms, if any, adopted by the board of directors to avoid any qualifications in the audit report on the annual individual and consolidated accounts prepared by the board of directors and submitted to the shareholders at the general shareholders' meeting.

The risk control system, the internal auditing services and the Audits Committee, 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 lead to incorrect accounting treatment. Thus, the Audits Committee receives regular information from the external auditor on the Audit Plan and on the results of its execution, and ensures that senior management acts on its recommendations.

The Board regulations and the internal regulations of the Audit Committee expressly set out in their articles 27(b) and 3.2, respectively, that the said Committee shall in all cases perform the duty of "ensuring that the Board of Directors presents the annual accounts to the General Shareholders meeting without limitations or qualifications in the external audit report, and the chairman of the Audit Committee, together with the external auditor, must clearly explain to the shareholders the nature and scope of said limitations or qualifications, if applicable".

C.1.33 Is the secretary of the board a director?

No

If the secretary is not a board member, complete the following table:

Name or company name of the secretary	Representative
Daniel Alaminos Echarri	N/A

C.1.34 Section deleted.

C.1.35 Indicate the mechanisms, if any, used by the company to preserve the independence of auditors, financial analysts, investment banks, and rating agencies.

Article 27 of the Board of Directors' regulations establishes that the role of the Audits Committee is to ensure the independence of the external auditor, which includes, among other matters, ensuring that the company and the auditor respect the regulations in force with regard to the provision of services other than those concerning auditing, the limits on the focus of the auditor's services, and in general, other regulations in place to ensure independence of auditors

In any case, every year, the external auditors shall issue the Audit Committee declarations of their independence from the company or companies related directly or indirectly, as well as the information on all kinds of additional services that may have been rendered by said external auditors or persons or companies associated with them pursuant to the accounts auditing regulations and the corresponding fees they may have received thereof.

At the same time, prior to issuing the accounts auditing report, the Committee shall also issue annual reports giving its opinion on the independence of the external auditor.

On the other hand, article 3.16 c.(iv) of the internal regulations of the Audits Committee orders the Audits Committee "to strive to ensure the remuneration of the external auditor for its work without compromising either its quality or independence".

With regards to financial analysts and investment banks, the company has an internal application procedure in place with three tenders for the procurement thereof. The contract is signed through a letter of appointment outlining the exact terms and conditions of the entrusted duty.

Insofar as rating agencies are concerned, at the close of 2016 financial year the Company has a rating from Moody's and Standard and Poors. In both cases the job was formalized through their corresponding mandate letters.

C.1.36 Indicate whether the Company has changed the external auditor during the financial year. If so, identify the incoming audit firm and the outgoing auditor:

No

Outgoing auditor	Incoming auditor

If there has been any disagreement with the outgoing auditor, provide an explanation thereof:

N/A

Explanation of the disagreements

C.1.37 Indicate whether the audit firm performs other non-audit work for the company and/or its group. If so, indicate the amount of the fees paid for such work and the percentage they represent of the aggregate fees charged to the company and/or its group:

Yes

	Company	Group	Total
Fees for non-audit work (in thousands of Euros)	1.633	578	2,211
Fees for non-audit work/Total amount invoiced by the audit firm (in %)	65 %	4 %	40 %

C.1.38 Indicate whether the audit report on the annual accounts for the prior financial year has observations or qualifications. If so, indicate the reasons given by the chair of the audit committee to explain the content and scope of such observations or qualifications

No

Explanation of the reasons
N/A

C.1.39 Indicate the consecutive number of years for which the current audit firm has been auditing the annual accounts of the company and/or its group. In addition, indicate the percentage represented by such number of financial years audited by the current audit firm with respect to the total number of financial years in which the annual accounts have been audited:

	Company	Group
Number of consecutive financial years	5	5

	Company	Group
Number of years audited by the current audit firm / Number of years in which the company has been audited (%)	0.19	0.19

C.1.40 Indicate and, if so, explain whether there are procedures for directors to hire external consultancy services:

Yes

Describe the procedure

The Secretary of the Board of Directors performs the duties legally attributed. Currently, the position of secretary and legal adviser are one and the same, and this person is responsible for the valid call to meeting and the adoption of resolutions by the board of directors. In particular, the Secretary of the Board advises Board members on the legality of the deliberations and resolutions proposed and on compliance with the internal rules of corporate governance, which makes this person the guarantor of the principle of formal and material legality, which governs the actions of the Board. As the specialised body tasked with guaranteeing the formal and material legality of the Board's actions, the Secretary of the board has the full support of said board to perform his/her duties with complete independence of criterion and stability, and is also charged with safeguarding the internal regulations of corporate governance. Acting in their position or on behalf of the directors, he or she channels the external advice necessary for the proper formation 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 Secretary of the Board. The second paragraph of Article 19 of the Regulations of the Board of Directors sets out 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 associated with the exercise of such duties”.

C.1.41 Indicate and, if so, explain whether there are procedures for directors to obtain information required to prepare for management-level meetings with sufficient time in advance:

Yes

Describe the procedure

Availability of the information before each Board meeting via an online platform that can be accessed by all of the directors. In addition, via this platform directors have access at all times to consult the internal regulations and basic legislation applicable to the role and responsibility of the Director, which offers them sufficient knowledge of the Company and its internal rules, as well as on issues that may be submitted to them for consideration.

C.1.42 Indicate and, if so, explain whether the company has regulations that require directors to inform the company and, if applicable, resign in cases in which they could damage the company's prestige and reputation:

Yes

Explain the rules

Article 13 of the Board of Directors' regulations sets out the following: *“Directors are obliged to surrender their posts to the Board of Directors and to formalise their resignation, if the board deems it convenient, in the following cases: (a) If they fall within any of the grounds for incompatibility or prohibition as prescribed by law; (b) If deemed severely liable by any public authority for infringing upon their obligations as Directors; (c) If the Board itself requests so due to a Board member having infringed upon his/her obligations as Director [...] (e) In those cases in which the actions thereof may prejudice the prestige or reputation of the Company. For the foregoing purposes, the Directors must inform the Board of Directors of any criminal actions for which they are being investigated as well as of any other legal proceedings in relation thereto. If the Director was to be finally accused of or if a court hearing was set down in relation thereto for any offence set out under commercial legislation, the Board of Directors shall examine the specific case and shall determine whether or not it is appropriate to request the director in question to resign from office”.*

Section (q) of Article 14 of the same Regulation also establishes the obligation of the directors *“to inform the company of all legal and administrative claims and of any other claims that, given their magnitude, may severely affect the reputation of the company. Accordingly, the directors must notify the Board of Directors of any criminal proceedings for which they are being investigated as well as any other legal proceedings in relation thereto”.*

C.1.43 Indicate whether any board member has informed the company of being subject to prosecution or an indictment for any of the crimes envisaged in section 213 of the Companies Act:

No

Name of director	Criminal Case	Comments
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Indicate whether the board of directors has analysed the case. If so, provide a duly substantiated explanation of the decision adopted regarding whether or not the director should remain in office or, if applicable, describe the actions taken by the board of directors up to the date of this report or that it plans to take

N/A

Decision taken / action taken	Reasoned explanation
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C.1.44 Describe the significant agreements entered into by the company that go into effect, are amended, or terminate in the event of a change in control at the company as a result of a takeover bid, and effects thereof.

The Company has not implemented any significant agreements that entered into force, whether amended or expired as a specific result of a change of control in the Company deriving from a takeover bid.

Nevertheless, the company has signed agreements in which change of control clauses are set out, which are not necessarily triggered as a result of a takeover bid. For that purpose “control” is understood as the ability or power (be it by share ownership, power of attorney, contract, agency or any other way) to (i) vote for or control the vote of more than 50% of voting rights that may be exercised in the Company’s general meeting; (ii) appoint or dismiss more than 50% or all members of the Company’s governing body; or (iii) establish guidelines on the Company’s operating and financial policies that must be complied with by administrators or equivalent staff; or ownership of more than 50% of capital in the form of common shares or any other type that, where applicable, hold voting rights. Said agreements may be terminated on the request of creditors in the event of a change of majority control.

Financial agreements that may be signed under the restructuring framework shall also include change of control clauses in the sense referred to in the preceding paragraph..

C.1.45 Identify on an aggregate basis and provide a detailed description of the agreements between the company and its management level and decision-making positions or employees that provide for indemnities, guarantee or “golden parachute” clauses upon resignation or termination without cause, or if the contractual relationship is terminated as a result of a takeover bid or other type of transaction.

In the event of the termination of the business contract of the Executive Chairman, Gonzalo Urquijo Fernández de Araoz (except if said termination is due to voluntary resignation, death or incapacity, or the non-performance of his obligations), entitles him to compensation equivalent to two years’ fixed and variable salary, and one of the annual payments will be in fulfilment of a non-competition clause.

Elsewhere, senior management contracts for members of the Executive Committee (with the exception of Mr. Gonzalo Urquijo Fernández de Araoz, whose compensation is set out in the previous paragraph), Messrs Fernández de Piérola, Pastor, Jiménez-Blanco, Alaminos and Polo shall be entitled to compensation in the event of termination for an amount equivalent to one year’s fixed salary plus variable remuneration, which will be two years in the case of a change of control or succession of the business. There shall be no compensation in the event the termination due to [unilateral termination or severe and culpable non-compliance of obligations by the senior director. Post-contractual non-competition commitment compensation is set as a fixed salary annuity plus variable understood as to be included in the amount of the compensation set forth above, if the need arises. In the event of voluntary termination of the contract by Abengoa, it will be necessary to give 6 months’ advance notice and, if this is not fulfilled, the Company will compensate the other party by paying the amount of remuneration for the period not notified.

It should be stated that on 22 November 2016 Mr Fernandez de Piérola Marín resigned as a director, revoking all his functions and powers. On that same date, the Board of Directors appointed him CEO of the Group but agreed to (i) terminate his contract as executive director; and (ii) to sign a new contract in his capacity as CEO, a contract containing the indemnity clauses already described. In view of the above, since the relationship between the Company and Mr Fernández de Piérola has continued, no severance compensation has accrued.

Number of beneficiaries	7
Type of beneficiary	Description of the agreement
Executive Chairman	See previous paragraph
CEO	
General Secretary	
Finance Director	
Director of Human Resources	
Director of Strategy	
Forma Executive Chairman	

Indicate whether such agreements must be reported to and/or approved by the decision-making bodies of the company or its group:

	Board of directors	General shareholders' meeting
Body that authorises the clauses	Yes	No
	YES	NO
Is the general meeting informed of the clauses?	X	

C.2 Committees of the board of directors

C.2.1 Describe all of the committees of the board of directors, the members thereof, and the proportion of executive, proprietary, independent, and other external directors of which they are comprised:

Executive or delegated committee

Name	Post	Current
% of executive directors		
% of proprietary directors		
% of independent directors		
% of other external directors		

Explain the duties assigned to this committee, describe the procedures and rules of organisation and operation thereof, and summarise the most significant activities thereof during the year.

N/A

Indicate whether the composition of the executive committee reflects the participation of the different directors within the board based on their class:

N/A

If the answer is No, explain the makeup of your Executive Committee

Audit committee

Name	Post	Current
José Wahnnon Levy	Chairman	Independent
José Luis del Valle Doblado	Member	Independent
Manuel Castro Aladro	Member	Independent
% of proprietary directors		0
% of independent directors		100
% of other external directors		0

Explain the duties assigned to this committee, describe the procedures and rules of organisation and operation thereof, and summarise the most significant activities thereof during the year.

In accordance with Articles 44 of the bylaws and 27 of the Board of Directors regulations, the Audit Committee shall be exclusively made up of External Directors appointed by the Board of Directors; most of whom must be independent directors. All of them, being members of the Committee shall appointed in light of their knowledge and experience in accounting, auditing or risks management, and at least, considering their knowledge and experience in accounting, auditing or both. The Board of Directors shall appoint the Committee Chairperson from amongst the independent board members within the committee. The post of Audit Committee Chairperson shall be held for a maximum of four years, after which he/she shall not be eligible for re-election as such for at least one year from the date of extinction, notwithstanding his/her continuation or re-election as member of the Committee.

The function of the Audits Committee is governed by the Company's bylaws, the Board of Directors regulations and the internal regulations of the Audit Committee itself.

The Audits Committee shall meet whenever necessary to carry out their duties or once every quarter, at least. The Committee shall also meet whenever convened by the Chairman, on his own initiative or at the request of any of the members, who may also suggest that the Chairman include a certain issue in the agenda of the following meeting,

The agreements established by the Audit Commission will be adopted in a fair fashion when the majority of the members present or represented in the meeting vote in favour thereof. In the event of a tie, the Chairman shall have the casting vote.

The following duties, among others, are assigned to the Audit Committee:

1. 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.
2. To ensure that the Board of Directors presents the accounts to the General Shareholders meeting without any limitations or qualifications in the external audit report, and the Chairman of the Audit Committee, together with the external auditor, must clearly explain to the shareholders the nature and scope of said limitations or qualifications, if applicable.
3. To inform the Board of Directors of any change in the accounting criteria, and any risks either on or off the balance sheet.
4. To inform the Board of Directors on monitoring the budget, the undertakings to increase and reduce financial borrowing, monitoring of the financial deleveraging policy and the dividend distribution policy and any amendments to these.
5. To inform the General Shareholders meeting about any matters or questions that arises on issues within its power.
6. To propose the appointment of external accounts auditors to the Board of Directors for subsequent submission before the General Shareholders meeting.
7. To supervise the internal audit services, which will functionally depend on the Committee Chairman. The Commission will have full access to internal auditing and will report on the selection, dismissal, renewal and removal process of its director, on the setting of his/her salary scale, as well as the budget for this department
8. To supervise the internal functions of control and risks management.
9. To know the process of financial information and of the systems of internal control of the Company.
10. 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.
11. To summon the directors it deems appropriate to the meetings of the Committee to report on issues to the extent the Audit Commission deems fit.
12. To prepare an annual report on the activities of the Audit Committee and to include it in the management report.
13. Issue annual reports on operations with associated parties, which be publicly displayed on the Company's web page prior to the Ordinary Shareholders meeting
14. Supervise compliance with corporate governance regulations, the internal code of conduct on aspects of the stock market and other internal codes of conduct and the corporate social responsibility policy.

15. With respect to internal control and reporting systems:
- (a) To monitor the preparation process and the integrity of the financial reporting with regard to the Company and, where applicable, the group of which Abengoa is parent company (hereinafter, the "Group"), verifying compliance with legal requirements and the correct application of accounting criteria, and appropriately specifying the scope of consolidation.
 - (b) To periodically review the internal control and risk management systems so that the main risks, including those of a tax nature, are identified, managed and properly disclosed, as well as to discuss significant shortcomings of the internal control system identified in the audit with the financial auditor.
 - (c) To supervise and ensure the independence and effectiveness of the duties of internal audits, with full access thereto; to propose the selection, appointment, re-selection and dismissal of the head of internal audits; to propose the budget for said unit, and set the salary scale of its Director; to obtain the annual work plan together with incidents that may have occurred during the execution; approve the orientation and the work plans ensuring that the activity is focused mainly on the relevant risks of the Company, to obtain periodical information on said activities including a report at the end of each financial year, and information on the activities and the budget of the unit; and to ensure that senior management consider the conclusions and recommendations in its reports.
 - (d) To establish and supervise a mechanism by which the staff may confidentially and, if necessary, anonymously report any irregularities, especially those of a financial or accounting nature, detected in the course of their duties, with potentially serious implications for the company.
 - (e) To summon any Company employee or manager, and even order them to appear without the presence of any other senior officer.
 - (f) The Audit Committee shall inform the Board, prior to the latter adopting the corresponding decisions, about the following matters:
 - (i) The financial information that all listed companies must periodically disclose. The Committee must ensure that interim financial 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.
 - (ii) The creation or acquisition of shares in special purpose entities or entities resident in countries or territories considered tax havens, and any other similar transactions or operations which, due to their complexity, might impair the transparency of the Group.
 - (iii) Related-party transactions
 - (g) To 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
16. With regards to the external auditor
- (a) To propose the selection, appointment, re-selection and replacement of the external auditor, including the conditions of their hiring, to the Board of Directors to submit said proposal to the General Shareholders meeting for approval.
 - (b) 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
 - (c) To make sure the external auditor remains independent and, for that purpose:
 - (i) The Company should notify the National Securities Market Commission 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 these.
 - (ii) The Committee must ensure that both Company and auditor respect the current regulations on providing services other than auditing, the limits on the focus of the auditor's services and, in general, other standards and regulations set out to ensure the independence of auditors
In any case, every year the Committee should receive from external auditors the declaration of their independence from the Company or companies with a direct or indirect connection thereto, as well as information on additional services of any kind provided and the corresponding fees received from these companies by the external auditor or by the individuals or companies with a connection thereto in accordance with the provisions set out in legislation on financial auditing.
 - (iii) If an external auditor resigns, the Commission must investigate the circumstances leading to the resignation.
 - (iv) To ensure that the remuneration of the external auditor in return for its work does not compromise either its quality or independence.
 - (d) To issue every year, prior to the issuance of the financial auditing report, a report stating the judgment on the independence of the financial auditor. This report should always state the value of the additional services provided and referred to in previous section (c).(ii), individually and consolidated, different to the legal audit and with regard to the independent status or to the governing auditing regulations.
 - (e) To ensure that the Group's auditor is entrusted with conducting the audits for the individual group of companies
 - (f) To ensure that the external auditor holds yearly meetings with the entire Board of Directors to inform them on the work done and on the progress of the accounting situation and the risks of the Company
- The main interventions of the Audit Committee were as follows:**
- › Preparation of Abengoa's individual and consolidated accounts of its group for the 2015 financial year.

- › Approval of the financial information for the second half of the 2015 financial year.
- › Approval of the financial information for the intermediate periods of 2016 remitted to the CNMV
- › Follow-up on the works carried out in the framework of the restructuring process.
- › Approval of the feasibility plan prepared by Alvarez & Marsal as part of the restructuring process started and motivated by situation 5 bis.
- › Identification and follow-up on the financial risks of the Company in light of the preparation of the 2016 Financial Statement.
- › Approval of the verification Works undertaken by the external auditor
- › Monitoring of accounting impacts derived from the restructuring agreement.

Identify the director of the audit commission who has been appointed in light of his/her knowledge and experience in accounting, auditing or both, and indicate the number of years that the Chairman of this committee has been carrying out the role.

Name of director with experience	José Wahnon Levy
Number of years in chairman role	0

Appointments and remuneration committee

Name	Post	Current
Pilar Cavero Mestre	Chairwoman	Independent
Javier Targhetta Roza	Member	Independent
Ramón Sotomayor Jáuregui	Member	Independent

% of proprietary directors	0
% of independent directors	100
% of other external directors	0

Explain the duties assigned to this committee, describe the procedures and rules of organisation and operation thereof, and summarise its most significant activities during the year.

This Committee shall comprise at least three directors, designated by the Board of Directors, at the Committee's proposal. All members of the Committee shall be non-executive directors, at least two of whom must be independent directors.

Pursuant to Articles 44 bis of the bylaws and 28 of the Board of Directors regulation, the Audits Committee shall exclusively compose of external directors appointed by the Board of Directors, the majority of whom shall be independent board members, making sure of their knowledge, aptitudes and the sufficient experience for the duties they may be entrusted. The Board of Directors shall appoint the chairperson of the Committee from amongst the independent board members in the committee.

The duties of the Appointments and Remunerations Committee shall be governed by the Company's bylaws, the Board of Directors regulations and the internal regulations of the Committee itself.

The Appointments and Remuneration Committee shall meet whenever necessary to carry out its duties, and at least once every six months. The Committee shall also meet whenever convened by the Chairman, on his own initiative or at the request of any of the members, who may also suggest that the Chairman include a certain issue in the agenda of the following meeting,

The agreements established by the Committee shall be valid when the majority of members present or represented in the meeting vote in favour thereof. In the event of a tie, the Chairman shall have the casting vote.

Its duties include the following:

1. To present proposals before the Board of Directors to appoint independent directors by co-opting or for submission for approval before the General Shareholders meeting, as well as proposals for their re-election or discharge by the General Shareholders Meeting.
2. To present proposals to appoint all other Directors by co-opting or for submission for approval before the General Shareholders Meeting, as well as proposals for their re-election or discharge by the General Shareholders Meeting.
3. To prepare an annual report on the activities of the Appointments and Remuneration Committee, to be included in the management report.
4. To assess the competencies, knowledge and experience required on the Board, define the aptitudes and capabilities required of the candidates to fill each vacancy and assesses the time and dedication required for them to properly perform their duties.

5. To examine and organise the succession of the Chairman of the Board of Directors and the Chief Executive of the Company and, where necessary, make proposals to the Board of Directors to ensure the planned and orderly fashion of said succession.
6. To report on the proposed appointments and dismissals of top executives when the highest executive proposes it to the Board of Directors and on the basic terms and conditions of their contracts.
7. To report issues of gender diversity to the Board. To establish a representation target for the least represented sex on the Board of Directors of the Company and to draft guidelines on how to achieve this target.
8. Propose the following to the Board of Directors:
 - (i) The remuneration policy for directors, general directors or those with executive responsibilities reporting directly to the Board, and for executive committees or Chief Executives, for approval by the Company's General Shareholders meeting, and to periodically revise said policy and to ensure that the individual remuneration for each of them is proportional to what is paid to the other board members and managing directors of the Company.
 - (ii) The individual remuneration of directors and the other contractual conditions of each executive director.
 - (iii) The basic conditions of the contracts for senior management.
9. Ensure adherence to the remuneration policy of directors approved by the Company's General Shareholders Meeting.
10. Check with the Chairman or CEO of the Company, in particular when these are issues associated to Executive directors or senior management.
11. Organise, oversee and report on the annual performance appraisal of the Board of Directors and its committees and propose, based on the result of the appraisal, a plan of action to correct the identified shortcomings.
12. Analyse requests formulated by any director to take into consideration potential candidates to cover board vacancies.
13. Monitor and ensure the independence of the external consultant who, every three years, will assist the Board in its annual performance evaluation.
14. In those cases where this Committee obtains external advice to ensure that any conflicts of interest does not impair its independence.
15. Verify compliance with the director selection policy and report the findings to the Board of Directors.
16. Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration report.
17. Verify that the annual corporate governance report (i) provides an explanation on why proprietary directors appointed at the request of shareholders whose shareholding interest is less than 3 % of the capital, and (ii) sets out the reasons why, if appropriate, formal requests were rejected for a presence on the board from shareholders whose shareholding interest is equal to or higher than those whose request the proprietary directors were designated.

In 2016, the main interventions of the Appointments and Remunerations Committee were as follows:

- › Proposal of the basic terms and conditions of contracts for top executives
- › Approval of the remunerations policy for the company's top executives.
- › Report on the termination of Mr. José Domínguez Abascal, the Executive Chairman.
- › Favourable report on the proposal to appoint Mr. Antonio Fornieles Melero as Executive Chairman and Board of Directors Chairman
- › Favourable report on the proposal to appoint Mr. Joaquín Fernández de Piérola Marín as Chief Executive Officer.
- › Favourable report on the appointment of Inayaba S.L., represented by Ms. Ana Abaurrea Aya, as independent director in replacement of Mr. José Luis Aya Abaurre
- › Favourable report on the proposal to appoint Ms. Alicia Velarde Valiente as Second Vice-Chairlady of the Board of Directors.
- › Favourable report on the proposal to appoint Mr. Joaquín Fernández de Piérola Marín as First Vice-Chairman of the Board of Directors.
- › Proposal on the business agreements of the Executive Chairman Mr. Antonio Fornieles Melero and of the CEO Mr. Joaquín Fernández de Piérola Marín.
- › Favourable report on the Annual Report on Board members Remunerations.
- › Approval of the Annual Report of the Appointments and Remunerations Committee
- › Submission of the results of the annual assessment of the performance of the Board of Directors and its Committees to the Board of Directors for approval
- › Favourable report on the Policy for the Selection of Board of Directors.
- › Propose the Second Vice-Chairlady and Coordinating Board member's remuneration to the Board of Directors
- › Propose the re-selection of Mr. Martínez Rico as independent board member of the Board of Directors, to the Board of Directors
- › Propose the re-selection of Ms. Velarde Valiente as independent board member of the Board of Directors, to the Board of Directors
- › Favourable report on the proposal of the Board of Directors' decision on proposing to the General Shareholders meeting to ratify the appointment of Messrs. Joaquín Fernández de Piérola Marín and Inayaba S.L. represented by Ms. Ana Abaurrea Aya.
- › Proposal for the appointment of Messrs. Manuel Castro Aladro, José Luis del Valle Doblado, José Wahnon Levy, Ramón Sotomayor Jauregui, Javier Targhetta Roza,
- › Gonzalo Urquijo Fernández de Aroz and Pilar Cavero Mestre as new board members
- › Proposal to the Board of Directors with regard to Contracts of executive directors and senior officers.
- › Reports to the Board on the appointment of Senior Officers.
- › Proposal to the Board of Directors on remuneration of new directors until the next General Meeting.

C.2.2 Complete the following table with information regarding the number of female directors comprising the committees of the board of directors for the last four financial years:

	Number of female directors:			
	Financial year 2016	Financial year 2015	Financial year 2014	Financial year 2013
	Number %	Number %	Number %	Number %
Executive committee	N/A	N/A	N/A	N/A
Audit committee	0 (0)	2 (50)	2 (66.66)	2 (40)
Appointments and remuneration commission	1 (25)	2 (50)	2 (66.66)	2 (40)
Appointments committee	N/A	N/A	N/A	N/A
Remunerations committee	N/A	N/A	N/A	N/A

C.2.3 Section deleted.

C.2.4 Section deleted.

C.2.5 Indicate, if applicable, the existence of regulations of the board committees, where such regulations may be consulted, and the amendments made during the financial year. Also indicate if any annual report of the activities performed by each committee has been voluntarily prepared.

Both the Audits Committee and Appointments and Remunerations Committee have their own internal operating regulations available on the Company's website.

The last amendment to both texts during the financial year took place on 30 March 2016 for the purpose of reflecting the same amendments previously operated in the Board Regulations to adapt its content to the recommendations of the Good Governance Code of Listed Companies approved through the Resolution of the Board of the CNMV on 18 February 2015.

These Committees prepare their own annual report on activities. The reports prepared for the 2015 financial year were made available to shareholders together with the call for the Ordinary General Shareholders Meeting held on 30th June 2016. In addition, that of the Audits Committee was published as part of the annual report for the 2015 financial year.

C.2.6 Section deleted.

D. Related-party transactions and intragroup transactions

D.1 Explain any procedures for approving related-party and intra-group transactions.

Procedure for reporting the approval of related-party transactions

The procedure for the approval of operations with associated parties is outlined in Articles 44 and 44 bis of the bylaws, and 4 and 27 of the Board of Directors regulations.

Before the Board of Directors takes the relevant decisions, the audit committee must inform said Board of the transactions with related parties.

Upon prior receipt of the Audit Committee report, the Board of Directors is required to approve the transactions carried out between the Company or companies in its group with directors, or with shareholders, individually or in partnership with others, involving a share legally considered as significant, including shareholders represented on the Company's Board of Directors or the Board of Directors of other companies belonging to the same group or with related parties.

The affected directors or those representing or connected to affected shareholders should abstain from the deliberation and voting process of the agreement in question. Only transactions that simultaneously meet the following three characteristics shall be exempt from this approval:

- (i) (i) They are governed by standardised agreements applied on across-the board bases to a high number of clients;
- (ii) they go through at prices or rates generally set by the person supplying the goods or services; and
- (iii) their amounts do not exceed 1% of the company's annual revenue.

Only in duly justified emergency situations may decisions on previous matters be adopted by the delegates or individuals. Such decisions shall be ratified in the first Board meeting that is held following the adoption thereof

The Audits Committee shall prepare an annual report on the operations with associated parties, which shall be made public through the Company's web page prior to the Ordinary General Shareholders Meeting.

D.2 Describe those transactions that are significant due to the amount or subject matter thereof between the company or entities of its group and the company's significant shareholders:

Name or corporate name of significant shareholder	Name or corporate name of the company or entity of the group	Nature of the relationship	Type of transaction	Amount (thousands of Euros)
N/A	N/A	N/A	N/A	N/A

D.3 Describe those transactions that are significant due to the amount or subject matter thereof between the company or entities of its group and the company's directors or officers:

Name or corporate name of the directors or executives	Name or corporate name of the related party	Connection	Nature of the transaction	Amount (thousands of Euros)
Javier Benjumea Llorente	Blanca de Porres Guardiola	Spouse of Felipe Benjumea Llorente, brother of Javier Benjumea Llorente	Technical consultancy contract for the optimisation of CPA catering services between the company of the Simosa Group and Blanca de Porres Guardiola, contract that ended in 2016 but not renewed	95
Ricardo Martínez Rico	Equipo Económico, S.L.	Chairman of Equipo Económico, S.L.	Integral and strategic consultancy service agreement signed between Equipo Económico, S.L., Abengoa S.A., Abengoa Concessions, S.L. and Abeinsa Ingeniería y Construcción Industrial, S.A.	90
Felipe Benjumea Llorente	Felipe Benjumea Llorente	Former Executive Chairman and brother of an Executive Director	Consultancy agreement signed on 23 September 2015 between Felipe Benjumea Llorente and Abengoa, S.A. valid until 31 December 2016.	1,086 During the 2016 financial year, there were no amounts invoiced pursuant to this agreement.

D.4 Report the significant transactions made by the company with other entities belonging to the same group, provided they are not eliminated in the preparation of the consolidated accounts and they are not part of the ordinary course of business of the company as to their purpose and conditions.

In any case, report any intra-group transaction with entities established in countries or territories considered to be tax havens:

Corporate name of entity of group	Brief description of the transaction	Amount (thousands of Euros)
EIG Global Energy Partners	Abengoa waives all rights it has over its investment in APW-1, with regards to its shares and credits it may hold with it,	375 millions of Euros
Atlantica Yield	The Company's recognition of a liability as a result of the impossibility of the preferred shares to comply with the terms and conditions in certain transmission lines in Brazil (ACBH) signed in 2014 financial year.	95 millions of Euros
Rioglass Solar	Conversion of convertible loan, entered into at close of 2015 financial year with the minority partner, Rioglass Laminar, by virtue of which it was given control of said company.	82 millions of Euros

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

See Section H "Other Information of Interest"

D.6 Describe the mechanisms used to detect, determine, and resolve potential conflicts of interest between the company and/or its group, and its directors, officers, or significant shareholders.

In accordance with the provisions of the Board of Directors' Regulations, Directors are obliged to inform the Board of any situation of potential conflict in advance, and to abstain until the conflict is resolved.

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

No

Identify the subsidiary companies that are listed in Spain:

Not Applicable

Listed subsidiary companies

Indicate whether they have publicly and accurately defined their respective areas of activity and any possible business relationships among them, as well as those between the listed dependent company and the other companies within the group:

Not Applicable

Describe the possible business relationships between the parent company and the listed subsidiary, and between the subsidiary and the other companies within the group:

See Section H "Other Information of Interest"

Identify the mechanisms established to resolve possible conflicts of interest between the listed subsidiary and the other companies within the group:

Not Applicable

Mechanisms for the resolution of possible conflicts of interest

E. Risk control and management systems

E.1 Explain the scope of the company's Risk Management System, including the system for managing tax risks.

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, understand 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 elements form an integrated system that allows for appropriate management of the risks and their mitigating controls at all the levels of the organisation.

The internal auditing unit is in charge of ensuring compliance with and the proper functioning of these systems.

See section H "Other Information of Interest" at the end of the report

E.2 Identify the decision-making bodies of the company responsible for preparing and implementing the Risk Management System, including the system for managing tax risks.

The determination of the risk control and management policy, including tax risks and the supervision of internal reporting and control systems, is a faculty of the Board of Directors of Abengoa that cannot be delegated, in compliance with the provisions set out in the Spanish Companies Act.

The duty of elaborating and executing the Risks Management System is basically exercised by the Audits Committee, specifically through the internal auditor and the risks manager.

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

Meanwhile, the internal audit department is in charge of supervising and ensuring the correct functioning of the Risks Management System.

E.3 Point out the principal risks, including tax risks, that could affect the achievement of business goals.

In the process of identifying, understanding and assessing the risks affecting the company, the following risks factors have been considered:

General risks

- › Abengoa operates in a sector of activity especially associated to 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 end 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 associated to the activities of concession-type infrastructural projects operating under regulated tariffs or extremely long-term licence agreements.
- › Income 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 have a 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 forces with third parties for the execution of certain projects.

Specific risks for Abengoa

- › Risks derived from the shareholders' equity situation.
- › Risk associated with the possibility that Abengoa requests an arrangement with creditors in the event that the Company does not completely financial restructuring.
- › Risks related to the ability to comply with the feasibility plan.
- › Risks related to the liquidity needs of Abengoa in the short- and medium-term.
- › Risks related to the impossibility of completing the divestiture plan.
- › Risks relating to the sale of the stake or the loss of control of Atlantica Yield.
- › Abengoa operates with high levels of borrowing.
- › Risks arising from the need to generate positive cash flows.
- › Risks derived from the demand for capital intensive investments in fixed assets (CAPEX), which increases the need for external finance for the execution of pending projects.
- › Risks arising from Abengoa's dividend policy.
- › The company has a controlling shareholder.
- › 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 proceedings.

Risks derived from internationalisation 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.

E.4 Identify whether the entity has a risk tolerance level, including one for tax risk.

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 because, when they arise, their impact is extremely high.

E.5 Indicate what risks, including tax risks, have materialised during the financial year.

Abengoa endured certain risks during the 2016 financial year, the most significant of which are described below.

Abengoa's activities are mainly centred in the fields of energy and the environment. These activities unfold in a continuously changing environment, with regulations, subsidies or tax incentives that can suffer changes or that can even be legally challenged. Passed financial years have witnessed various regulatory modifications in jurisdictions within which Abengoa operates (mainly in the United States and Brazil) in connection, mainly, with activities having to do renewable energy generation and with biofuel production. Such regulatory modifications have severely affected the profitability of current and future projects of Abengoa, in the conditions in which it competes with non-conventional forms of renewable and other types of energy, and in its capacity to complete some ongoing projects.

Thus, given the financial difficulties that the Company went through in the second half of 2015 as a result of, inter alia, limited access to capital markets, in September 2015 the Company initiated a process of negotiation with its creditors to reach an agreement that would guarantee its financial feasibility. For these purposes, and to ensure stability in the period of negotiations, the Company submitted the communication provided for in Article 5 bis of the Bankruptcy Act on 25 November 2015 to the Commercial Court of Seville. The deadline for reaching an agreement with the creditor banks concluded on 28 March 2016, the date on which the Company filed a standstill agreement with the Commercial Courts of Seville, for judicial approval and endorsement. The aim was to provide the time necessary for reaching a full and complete agreement for the restructuring of its financial debt and the recapitalisation of the Group. This standstill agreement, which granted a delay in meeting financial obligations until 28 October 2016, was judicially approved on 6 April 2016 and its effects extended to dissident creditors.

On 24 September 2016, within the period granted by virtue the standstill agreement, the Company, several companies of the Group and a group of financial creditors signed and notarized the restructuring contract in a deed that was executed by the Notary Public of Madrid, José Miguel García Lombardía. Among other issues, this agreement regulated the terms and conditions of the restructuring of the financial debt of the Group and certain financial institutions undertook to provide new funding. This restructuring agreement was made available to financial creditors and, after the initial period of adhesions, it received support from 86% of financial creditors to whom it was addressed. On 28 October 2016, a group of financial creditors asked the Commercial Courts of Seville for judicial approval of the agreement, an approval that was granted on 8 November 2016, extending the effects of the agreement to dissident creditors.

In accordance with the provisions of the restructuring agreement, the closing of the deal and the entry of new financing were subject to compliance with a number of conditions precedent. The deadline for compliance with these conditions and closure of the deal is 28 February 2017, although said date has been extended to 22 March 2017

The agreement was challenged by a number of financial creditors and as at the date of issuance of this report said challenges have not yet been resolved.

E.6 Explain the plans for responding to and supervising the entity's main risks, including tax risks.

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

Committees are in charge of the executive supervision of the company's main risks, with the most relevant in 2016 being:

- › Follow-up Committee.
- › Management Committee.
- › Business Unit Committee

*The new Board of Directors, appointed at the Extraordinary General meeting on 22nd November 2016, approved a corporate structure of the company which shall be set up two Committees: an Executive Committee and a Management Committee.

F. Internal risk control and management systems in connection with the process of issuing financial information (ICFRS)

Describe the mechanisms making up the risk control and management systems with respect to the process of issuing the entity's financial information (ICFRS).

F.1 Control environment at the entity

Indicate at least the following, specifying the main features thereof:

F.1.1. What bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective internal control over financial reporting system (ICFRS); (ii) its implementation; and (iii) its oversight.

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 the published financial report. 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 Committee in accordance with its own regulations.

Thus, the Board of Directors is in charge of setting up and maintaining a compulsory Audit Committee as inferred from Article 27 of the Board Regulations.

According to the foregoing Article, the functions entrusted by the Board of Directors to the Audit Commission, with regard to the SICFR, entail: "Monitoring the preparation process and the integrity of the financial report concerning the Company and, where applicable, the group of which Abengoa is parent company (hereinafter, the "Group"), verifying compliance with legal requirements and the correct application of accounting criteria, and appropriately specifying the scope of consolidation".

Additionally, and in accordance with the same Article, included among the functions of the Board and, by delegation, the Audit Committee, is that which entails "Periodically revising the internal control and risk management system so that the main risks, including those of a fiscal nature, are identified, managed, and properly disclosed, as well as discussing significant shortcomings of the internal control system identified in the audit with the financial auditor".

F.1.2 Whether any of the following are in place, particularly as regards the financial information preparation process:

Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of work and duties; and (iii) ensuring that there are sufficient procedures for the proper dissemination thereof at the entity.

As stipulated by the Board of Directors' Regulations, it is in charge of:

- › Defining the structure of the Group of companies;
- › At the proposal of the company's chief executive, the appointment and possible dismissal of senior executives, as well as establishing the basic conditions of their contracts, including their remuneration and, where applicable, their compensation clauses.
- › The core components of its 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.
- › Through the relevant departments, strive for the correct and integral announcement of the relevant information regarding 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 adopted by the last general meeting held, the internal regulations of corporate governance and the Annual Report. The means of communication 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 corrective actions and sanctions.

Abengoa has a code of ethics and professional conduct approved by the Board of Directors. It is published on the Intranet in both Spanish and English, and it 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 Code of Conduct courses are given. It is compulsory for all employees to attend these courses and to show proof by signing attendance sheets; meanwhile the company ensures that all Abengoa employees have received and understood said information.

In 2016 a total of 260,441 training hours were given throughout the Group, with the attendance of 9,132 employees.

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 periodic reports that Abengoa must submit to the bodies 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 providing guidance to ensure that employees, managers and directors 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 treatment in and outside Abengoa
- › The immediate internal reporting of any breach of said Code of Conduct and the appropriate reporting of all illegal behaviour.

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 Board Chairman, or any executive who may already have been entrusted with performing such duty.

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

The Board of Directors and, by virtue thereof, its Chairman, the established committees, executive committees or, in turn, Managers entrusted therewith, are tasked with the classification of breaches of the Common Management Systems.

Whistleblowing channel, which enables reporting of irregularities of financial and accounting nature to the audit committee, in addition to possible breaches of the code of conduct and irregular activities in the organisation. The reports may be filed confidentially.

An important aspect of responsibility and transparency is to provide a mechanism by which any interested party may safely and confidentially report irregularities, unethical or illegal conduct 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 Committee decided to establish specific procedures for:

- › The reception, safeguard and processing 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 confidentially or anonymously send information in good faith on dubious or arguable policies of accounting and auditing. In this sense, Abengoa has a twin 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 website (www.abengoa.com).

Abengoa and its various business groups 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 Audit Committee. A record is kept of all communications received in relation to the whistleblower, subject to the necessary guarantees of confidentiality, integrity and availability of the information.

Training programmes and regular updates for personnel involved in the preparation and review 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 personnel involved in the preparation of the Financial Statements of the Group.

The training programmes 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 2016 financial year, the Departments related to the preparation, review and reporting of financial information received various publications of updates to the accounting and financial standards, internal control and tax, including courses by external experts in relation to the update of accounting standards.

F.2 Financial reporting risk assessment

Indicate at least the following:

F.2.1 What are the main features of the risk identification process, including the process of identifying the risks of error or fraud, with respect to:

Whether the process exists and is documented.

Abengoa has introduced a process for identifying and evaluating risks: the Universal Risks Model (URM) which is updated on a regular basis. This model numbers the risks identified by the organisation, classified into categories and sub-categories, assigns 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 to the accounting and submission of the financial report, the management of debt and equity financing, planning and budgeting and the tax strategy of transactions:

Whether the process covers all the objectives of financial information (existence and occurrence; completeness; assessment; presentation, breakdown and comparability, and rights and obligations), whether it is updated, and how often.

The URM is designed to cover all risks identified. Among them there is a group that has to do with 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 in such a way that it may be guaranteed that the financial reporting appropriately adheres to the requirements of existence, occurrence, integrity, evaluation, presentation, breakdown and comparability.

The existence of a process for the identification of the scope of consolidation, taking into account, among other matters, the possible existence of complex corporate structures, holding entities, or special purpose entities.

The consolidation perimeter of Abengoa is subject 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 authorisation processes that permit the clear identification of all entries and exits to and from the consolidation perimeter.

Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.

As already mentioned, the URM is the methodology to identify, understand and assess the risks that may affect Abengoa. The purpose is to obtain an integral vision of these risks, designing an efficient system of response that is in line with the Company's business objectives.

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 the Company: Set of negative effects on the strategic goals and objectives of Abengoa

Which corporate governance body supervises the process?

The financial reporting process is the ultimate responsibility of the Board of Directors. In accordance with the Board of Directors' Regulations, the integrity and exactitude of the financial reporting presented to the Board of Directors for approval must first be certified by the Chairman of the company's Board of Directors and by the Director of the Department of Corporate Consolidation and Audits.

Likewise, as set out in section F.5 of this document, the Board of Directors entrusts the Audits Committee 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

Indicate whether at least the following are in place and describe their main features:

F.3.1 Procedures for reviewing and authorising the financial reporting and the description of the System of Internal Control over Financial Reporting to be published in the stock markets, indicating those in charge, 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 substantially affect the financial statements, including the accounting closure proceedings and the specific review of the opinions, estimates, assessments 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 company's Board of Directors and by the Director of the Department of Corporate Consolidation and Audits.

Once the Board of Directors receives the corresponding reports and after the necessary clarifications, it shall clearly and precisely, in terms that aid comprehension of its content, prepare the annual accounts, the directors' report and the resolution on the application of the company's profit/loss outcome, as well as the consolidated annual accounts and directors' report, and the financial reports which the company must regularly publish, due to being a listed company, ensuring that these documents depict the true state of the asset, the financial situation and the profit and loss outcome of the Company, in accordance with the stipulations of applicable law.

Before signing the annual accounts required by law, the directors shall keep a record of all the reservations they deem relevant. Otherwise, it will be understood that they had all the necessary information available to approve this preparation of the annual accounts.

The directors must sign statements of responsibility on the content of the annual financial report and, in turn, on any intermediate financial reports which the company must regularly publish due to being listed.

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 formation of prices of the Company's shares, supervising financial-related information regularly made public and performing as many duties as may be required due to the company's status as a listed company.

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

In this structure, the information to be reported is prepared by company heads, then reviewed by heads of the respective Vertical Business Units and by the respective Corporate area 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 this reliability. Finally, the Company's chief 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 Audit Committee. With the support of the management team in Internal Audits, this Commission supervises the entire certification process, and then submits its conclusions from said analysis to the Board of Directors in the sessions when the accounts will be officially prepared. The information will then be published at the National Securities Market Commission (CNMV) once submitted to the Commission.

The legal consultancy department holds regular committee meetings 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 posing 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 these, operational continuity and separation of duties) that back the entity's relevant processes with regards to the drafting and publication of the financial reporting.

Among the controls considered for the mitigation or management of 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 systems, managing incidents, managing operations, the continuity of operations and the segregation of duties. Said guidelines and procedures -which in some cases are different based on geographical scope

and which are in the process of gradual homogenisation- are applied to all information systems including those that house the relevant processes of the generation of financial reporting, and to the infrastructure necessary for its functioning.

In geographical areas where Abengoa operates, the entire internal network of computer infrastructure is controlled by a Department of internal professionals who are responsible for 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. This security system is managed through the aforementioned internal IT department.

F.3.3 Policies and procedures of internal control aimed at supervising management of activities outsourced 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 a financial report that may lead, as the case may be, to the identification of risks of priority errors, thus requiring the design of associated internal controls.

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

F.4 Information and communication

Indicate whether at least the following are in place and describe their main features:

F.4.1. A specific function charged with defining and updating accounting policies (accounting policy area or department) and with resolving questions or conflicts arising from the interpretation thereof, maintaining fluid communications with those responsible for operations at the organisation, as well as an updated accounting policy manual that has been communicated to the units through which the entity operates.

Abengoa operates with an Accounting Policies Manual. This 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.

The 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 2015.

F.4.2 Mechanisms to capture and prepare financial information with standardised formats, to be applied and used by all units of the entity or the group, supporting the principal accounts and the notes thereto, as well as the information provided on the internal control over financial reporting system.

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 Supervision of system operation

Indicate whether at least the following are in place and describe their main features:

F.5.1. The activities of supervising the System of Internal Control over Financial Reporting performed by the audit committee, and on whether the entity has an internal audit system that is able to support the committee 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 Audit Committee is entrusted with the following duties, amongst others:

- › 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 the internal audit and, where applicable, on the accounting criteria applied.
- › Supervising the preparation and completeness of the financial information concerning the company and, if appropriate, the group, checking due compliance with the governing regulations, the proper delimitation of the consolidation criteria and the correct application of accounting criteria.
- › To periodically review the internal control and risk management systems so that the main risks are identified, managed, and properly disclosed, as well as to discuss significant shortcomings of the internal control system identified in the audit with the financial auditor.
- › To supervise and ensure the independence and effectiveness of the duties of internal audits, with full access thereto; to propose the selection, appointment, re-selection and dismissal of the head of internal audits; to propose the budget for said unit, and set the salary scale of its Director; to obtain regular information on the activities and the budget of the unit; and to ensure that senior management considers the conclusions and recommendations in its reports.

The Audit Committee's functions also entail supervising the internal audit service and obtaining information on the financial reporting process, the internal control systems and the risks for the company.

On the other hand, with regards to supervising the internal controls system, the aims of the internal audit duties are as follows:

- › To prevent the group companies, projects and activities from exposure to audit risks such as fraud, capital losses, operational inefficiencies and, in general, any risks that may affect the smooth operation of the business.
- › To ensure the continuous application of the standards, appropriate procedures and efficient management in accordance with the common management systems.

Abengoa's internal audit department originated as an independent global function, reporting to the Board of Directors' Audit Committee, with the main aim 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 auditing
- › Project auditing
- › Monitoring auditing a specific risks
- › Fraud prevention auditing
- › Non-financial auditing
- › Systems auditing

The internal audit team comprises 23 professionals. The general characteristics of the team are as follows:

- › They have average professional experience of 8.76 years.
- › Approximately 65% of the auditors have previous experience at an outside audit firm of the Big4.

The general goals of internal auditing are as follows:

- › To prevent the group companies, projects and activities from exposure to audit risks such as fraud, capital losses, operational inefficiencies and, in general, any risks that may affect the smooth operation 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 working criteria and approaches with external auditors to achieve optimum efficiency and profitability of both functions.
- › Analysis and processing of the complaints received through whistleblowing and reporting the conclusions of the work performed to the Audit Committee.

- › To evaluate the companies' audit risk in accordance with an objective procedure.
- › To develop annual work plans using appropriate scopes for each 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 has been a member of ACFE Corporate Alliance since 2014. This association helps companies with tools and specific training 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 or not 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 company's senior management, its audit committee and its directors, on the significant weaknesses identified in the internal control during the review of the financial statements or of all other documents to which they were assigned. Also report on whether or not there is an action plan for correcting or mitigating the weaknesses uncovered.

The internal audit office regularly informs senior management and the Audit Committee about the weaknesses identified regarding internal control in reviews performed on the processes during the financial year, and on the implementation of the action plans put in place to ensure the mitigation of said weaknesses.

Elsewhere, the accounts auditor of the group has 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 any control weaknesses detected during the auditing. External auditors will submit an annual report to the economic-financial director and the Audit Committee detailing the weaknesses they detected regarding internal control while carrying out their work.

F.6 Other significant information

In the 2016 financial year a total of 2 reports were issued by external auditors, and these form an integral part of the Annual Report:

- › Audit report on the consolidated accounts of the Group, as required by current regulations
- › Audit report on internal audit compliance under CNMV standards, as required by the SCIIF.

F.7 External audit report

Report on:

F.7.1. Whether the information on the internal control over financial reporting system has been reviewed by the external auditor, in which case the entity should include the respective report as an exhibit. Otherwise, it should report its reasons.

Abengoa applies all the rules and regulations dictated by the (CNMV) Stock Market Authorities. This fact implies that for the past six 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

The SCIIF information remitted to the markets has been revised by the external auditor.

The auditor of the individual and consolidated annual financial statements of Abengoa, for the financial year ending 31 December 2016 is Deloitte S.L., which is also the Group's main auditor.

G. Degree of compliance with corporate governance recommendations

Indicate the company's degree of compliance with the recommendations of the Good Governance Code for Listed Companies.

If the company does not comply with any recommendation or follows it partially, there must be a detailed explanation of the reasons providing shareholders, investors, and the market in general with sufficient information to assess the company's course of action. Explanations of a general nature will not be acceptable.

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

Compliant

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

2. When a dominant and subsidiary company are both listed, they should provide detailed disclosure on:
 - a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies.
 - b) The mechanisms in place to resolve possible conflicts of interest.

N/A

See sections: D1, D.4 and D.7

3. During the ordinary general meeting, the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:
 - a) Changes taking place since the previous annual general meeting.
 - b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

Compliant

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Compliant

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Partially compliant

The proposal that the board of directors submitted to the 2015 financial year Ordinary General Shareholders Meeting for the delegation of powers to issue shares or convertible securities fails to comply with this recommendation. Given the financial structure of the Company and the need to maintain sufficient levels of own funds compared to its volume of activity and its market position, there was need for the Company to have greater flexibility margin to undertake this kind of issuance at any time. Thus, the Board of Directors asked the General Shareholders Meeting to consider a request for an amount over 20% of Abengoa's equity at that time, and the General Shareholders meeting approved it under those terms.

Notwithstanding the foregoing, the mandatory reports on the exclusion of pre-emptive subscription rights which the commercial law makes reference to concerning the delegations currently in force were immediately published and are available at the Company's website.

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:

- a) Report on auditor independence.
- b) Reviews of the operation of the audit committee and the nomination and remuneration committees.
- c) Audit committee report on related-party transactions.
- d) Report on the corporate social responsibility policy.

Compliant

7. The company should stream its general shareholders' meetings live on the corporate website.

Explain

Given the situation in which the company was struggling, and in order to prevent possible alterations in the normal functioning of the Shareholders Meeting and the spreading of rumours between non-shareholders, the Board of Directors decided not to give a live website broadcast of the General Shareholders Meetings held in 2016.

Nevertheless, the Company sufficiently publicises the General Shareholders Meetings in the BORME [Official Gazette of the Company Registry], the CNMV website and its own corporate website. Likewise, the Company, in line with prevailing legislation and its own internal regulations, facilitates participation of all who wish to take part in General Shareholders Meetings, having recently included in its internal regulations the possibility of attending General Shareholders meetings via remote online communication.

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Compliant

See section C.2.1

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Compliant

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Not applicable.

In the General Meetings held during 2016 no payments were made for attendance.

12. The board of directors should perform its duties with unity of purpose and independent judgement, affording the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Compliant

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Complies

See section C.1.2

14. The board of directors should approve a director selection policy that:

- a) Is concrete and verifiable.
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs.
- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total

board places occupied by women directors before 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Compliant

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Compliant

See section C.1.2 and C.1.3.

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Compliant

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board membership slots.

Compliant

See section C.1.2 and C.1.3.

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

- a) Background and professional experience.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.
- d) Dates of their first appointment as a board member and subsequent re-elections.
- e) Shares held in the company, and any options over the same.

Compliant

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

N/A

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant

See section C.1.21

21. The board of directors should not propose the removal of independent directors before the expiry date of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Compliant

See section C.1.21

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide on whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Compliant

See section C.1.21 and C.1.42

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Compliant

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Compliant

See section C.1.9

25. The appointments committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

Compliant

The regulations of the board of directors should set forth the maximum number of company boards on which directors can serve:

See section C.1.13

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Compliant

See section C.1.29

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Compliant

See sections C.1.29 and C.1.30.

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Compliant

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Compliant

See section C.1.40

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Compliant

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For emergency reasons, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, with minutes duly taken, of the majority of directors present.

Compliant

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Compliant

33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Compliant

34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Compliant

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Compliant

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the board's operation.
- b) The performance and membership of its committees.
- c) The diversity of board membership and competences.
- d) The performance of the chairman of the board of directors and the company's chief executive.
- e) The performance and contribution of individual directors, with particular focus on the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Compliant

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.

N/A

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

N/A

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Compliant

See section C.2.1

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and internal control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Compliant

See section C.2.1

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Compliant

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:
 - a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
 - b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
 - c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.
2. With regard to the external auditor:
 - a) Investigate the issues giving rise to the resignation of the external auditor, should this come about..
 - b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.
 - c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

- d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Compliant

See section C.2.1

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant

See section C.2.1

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Compliant

45. The risk control and management policy should identify at least:

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.
- b) The determination of the risk level the company sees as acceptable.
- c) The measures in place to mitigate the impact of identified risk events should they occur.

- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Compliant

See sections E.

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Compliant

47. Appointees to the nomination and remuneration committee - or of the nomination committee and remuneration committee, if separately constituted - should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Compliant

See section C.2.1

48. Large capital companies should operate separate appointments and remunerations committees.

Explain

Pursuant to Article 44 bis of the Bylaws of Abengoa, the Board of Directors shall compulsorily set up and maintain a permanent an Appointments and Remunerations Committee

On the reference date of this report, Abengoa's Board of Directors consisted of seven members, six of them external, and two consultative Committees –the Audits Committee and the Appointments and Remunerations Committee- with each having three independent board members. The number of board members, though below what normally exists in other listed companies, and its qualitative distribution, is deemed appropriate for the current needs of the Company. This composition derived from the Restructuring Agreement entered into by the Company on 24th September 2016, giving rise to the amendment of the internal standards of Abengoa and to the reorganization of the organ of administration.

In that context, the splitting of the Appointments, Remunerations and Good Governance Committees would have generated inefficiencies, specifically deriving from the additional needs for funds, without clear justification in terms of improvement in the functioning of the organ of administration. Therefore, the Board of Directors does not intend to ask the General Shareholders Meeting to make any changes in Article 44 bis of the Bylaws.

49. The appointments committee should consult with the board chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable

Compliant

See section C.2.1

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law

- a) Propose to the board the standard conditions for senior officer contracts.
- b) Monitor compliance with the remuneration policy set by the company.
- c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.

- d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
- e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Compliant

See section C.2.1

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant

See section C.2.1

52. The terms of reference of supervision and control committees should be set out in the board of directors' regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
- b) They should be chaired by independent directors.
- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.
- d) They may engage external advice, when they feel it necessary for the discharge of their functions.
- e) Minutes should be taken of Meeting proceedings and a copy made available to all board members.

N/A

See section C.2.1

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
- b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
- c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
- d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
- e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
- f) Monitor and evaluate the company's interaction with its stakeholders.
- g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Compliant

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conduct.
- d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Compliant

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Compliant

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of nonexecutive directors.

Compliant

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Compliant

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) **Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.**
- b) **Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies**
- c) **Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.**

Explain

On the proposal of the Appointments and Remunerations Committee, the Board of Directors shall be responsible for setting up annual variable remuneration objectives, including their adjustments, for the existing Chairperson, in accordance with the stipulations of the applicable remunerations policy. At the same time, contracts of executive directors who performed executive duties that ended in 2016 specified that the variable components of their remuneration are conditioned to the performance of their annual objectives that were set for them and could be linked to financial or business indicators that the Appointments and Remunerations Committee and the Board of Directors deem relevant.

Notwithstanding the above, given the exceptional situation in which the Company struggled in 2016, the objectives of the variable remuneration were fundamentally based on the EBITDA and, in some cases, on the culmination of the financial restructuring process, without it considering criteria of non-financial nature. This same exceptional situation made it improbable to comply with the requirements set forth in the extraordinary plans of variable remuneration for directors which also served for some of the previous executive directors, thus limiting the virtual practicality of the short- and long-term incentives.

Abengoa's Board of Directors intends to ask the next Ordinary General Shareholders Meeting to consider a new Remunerations Policy for the 2018 and subsequent financial years. Said policy is expected to include the full content of this recommendation.

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Explain

The variable compensation policy does not provide for a large part of the variable remuneration components being deferred for a long enough period to ensure that predetermined performance criteria have effectively been met, notwithstanding the fact that it can be provided for once the Company has overcome its present exceptional circumstances.

Thus, as already indicated, Abengoa's Board of Directors intend to submit a new remunerations policy on the 2018 and subsequent financial years to the next Ordinary General Shareholders Meeting for consideration. The preparation of said policy may warrant the full inclusion of the of the content of the recommendation and, consequently, the modification of the Executive Chairman's contract for its appropriate adjustment.

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduces said amount.

Explain

Variable remunerations linked to the company's results do not explicitly consider the exceptions and qualifications that may be in the external auditor's report. That notwithstanding, just as already indicated, in the framework of the new remunerations policy that is being prepared, the inclusion of the recommendation is being considered and, consequently, it will consider the modification of the Executive Chairman's contract for its appropriate adjustment.

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Explain

As is on 31 December 2016, the variable remuneration of Abengoa's executive directors does not include the award of shares or share-based financial instruments.

However, some of the board members who performed executive duties and withdrew from them during the 2016 financial year participated in the extraordinary plans of variable remunerations for existing directors, which amounted to a significant part of their variable remuneration. The accrual of remuneration corresponding to the extraordinary variable compensation schemes, and therefore, the right to receive such (not the amount of remuneration in itself)- depended on the market value of Abengoa's class B shares not falling below certain values in the last quarter that each scheme is in force. Consequently, Abengoa's Board of Directors considers that the characteristics of the variable compensation linked to these schemes allowed for the fulfilment of the practical aim of Recommendation 61 of the Code, and therefore it is tied to the performance of the Company Stock Value.

As already indicated, the Board of Directors of Abengoa intend to submit a new Remunerations Policy on the 2018 and subsequent financial years to the next Ordinary General Shareholders Meeting to consider. Decisions will be taken on whether to include the content of the recommendations.

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

N/A

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Explain

The contracts of the executive members who served during the 2016 financial year do not contain any clause that may permit them to file for reimbursement of the variable components of the remuneration in cases in which it does not adjust to performance since, given the special circumstances of the Company, the objectives to which they were linked were mainly centred on the short-term observable financial magnitudes. Notwithstanding, it should be noted that none of the board members who performed executive duties but left such duties during the 2016 financial year accrued any amounts in concept of the annual variable remuneration for said financial year.

The Board of Directors' meeting held on 27 February 2017, on the proposal of the Appointments and Remunerations Committee set forth the objectives of the Executive Chairman for the 2017 financial year and agreed that the payment of the variable components of the remuneration shall be subject to reimbursement (but the company may retrieve it) in the event that the payment is not adjusted to the terms and conditions of performance or if paid based on information that is later found to be incorrect.

In addition, the Company is considering the inclusion of this stipulation in the Remunerations Policy which it intends to submit to the next Ordinary General Shareholders Meeting for approval and, consequently, shall modify the contract of the Executive Chairman.

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Compliant

H. Other information of interest

1. If there are any significant aspects regarding corporate governance at the company or at entities of the group that is not included in the other sections of this report, but should be included in order to provide more complete and well-reasoned information regarding the corporate governance structure and practices at the entity or its group, briefly describe them.
2. In this section, you may also include any other information, clarification, or comment relating to the prior sections of this report to the extent they are relevant and not repetitive.

Specifically, indicate whether the company is subject to laws other than Spanish laws regarding corporate governance and, if applicable, include such information as the company is required to provide that is different from the information required in this report.

3. The company may also indicate whether it has voluntarily adhered to other international, industrial, or other codes of ethical principles or good practices. If so, identify the code in question and the date of adherence thereto. In particular, mention whether there has been adherence to the Code of Good Tax Practices of 20 July 2010.

A.1 - Rights inherent in class A and B shares

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 30 September 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 subsection 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 31 December 2017

The owner may exercise its right of conversion by sending the company or, better still, as the case may be, the agency designated for such, through the corresponding participating entity of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear), through any means that provides acknowledgement of receipt, notification 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 relevant 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 a participant in the Iberclear management systems, or through an intermediary or depository or financial entity managing the shares under the terms set out 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 share capital being reduced by the amount of the difference between the face value of the class A shares for which the inherent rights are exercised and the face 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 Spanish Companies Act.

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 relevant event. [...]"

A.2, A.4 and A7

The Company is involved in a process of financial restructuring scheduled to finalise during the first quarter of 2016. Among other items, this restructuring operation involves the entry of new money into the group of companies headed by the Company and the capitalisation and/or discharge, as appropriate, of certain financial debt. As a result of these capitalisation operations and having exercised these on conclusion of the restructuring operation, the significant shareholders of the Company at the year-end, Inversión Corporativa IC, S.A. and Finarpisa, S.A., will no longer hold a significant stake in the Company.

A.12.

The Company reported a relevant event on 29 April 2016 sent to the CNMV (official registration number 238043) stating that the process of voluntary delisting of its Class B shares and its American Depositary Receipts (ADRs) from the NASDAQ Stock Market became effective on 28 April 2016, having carried out all the actions to exclude such securities from the SEC and therefore terminating its reporting obligations under the Securities Exchange Act of 1934. Following the delisting of the Class B shares and ADRs from the Nasdaq Stock Market, all of the shares of the Company are traded on the Spanish Electronic Market.

B.3 / B.5 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 to ensure that the so-called "defence of minority rights" do not suffer infringements for the mere fact that two different classes of shares exist with different face values and specifically to prevent the lesser face value of the class B shares from making it more difficult to obtain the percentages of the share capital required for the exercise of some voting rights, for example, 3% of the equity to enable the convening of the General Shareholders Meeting or for proposing the exercise of a social responsibility action. Thus, the General Shareholders Meeting approved the amendments of Abengoa's bylaws in the terms and conditions indicated below to envisage that all rights are exercised considering the denominator for calculating the number of shares as the basis for the percentage, and not the share capital.

In particular, the General shareholders Meeting approved the amendment of the bylaws with the aim of establishing that (i) Shareholders be required to own three hundred and seventy-five (375) shares, regardless of whether they are class A or B, to attend the General Shareholders meeting of the company's shareholders; (ii) that shareholders representing at least 3% of the share capital or 3% of the shares with voting rights be allowed to request publication of a supplement to the call for an Ordinary General Shareholders meeting including one or more points on the agenda and to submit proposals for decisions on issues already included or that should be included in the agenda of the convened Meeting; that (i) shareholders who own 1% of the share capital or 1% of the voting shares be able to request the presence of a Notary Public to endorse the minutes of the General Shareholders meeting; (iv) shareholders who own 3% of the share capital or 3% of the voting shares be able to request the convening of the General Shareholders meeting to decide upon the corporate liability action against directors or exercise the corporate liability action without or against the decision made by the Board in the General Shareholders meeting; (v) that the Company's Board of Directors convene the General Shareholders meeting when requested by shareholders representing 3% of the share capital or 3% of the voting shares; (vi) that the Company's Board of Directors extend the General Shareholders meeting if requested by shareholders representing 25% of the capital present or represented in the meeting or 25% of the voting shares and (vii) that the Company's Board Chairman may suspend the right to information as established in article 197 of the Spanish Companies Act only if so requested by

shareholders representing less than 25% of the paid-in capital or 25% of the company's voting shares if this percentage is lower than the voting shares (and as long as verified in addition to the other conditions envisaged in the bylaws.

C.1.2 and C.1.9

The director Mr. José Luis Aya Abaurre passed away on 12 February 2016. On 7 March 2016 the Company's Board of Directors agreed to cover the vacancy left on the Board due to the death of Mr. José Luis Aya Abaurre by co-opting, thereby appointing the company Inayaba, S.L. as director and Ms. Ana Abaurrea Aya as individual representative.

On 1 March 2016 the Board of Directors of Abengoa approved the following resolutions:

- › Remove Mr. José Domínguez Abascal as Chairman whereby he remains as director with the category of other external director.
- › Appoint Mr. Antonio Fornieles Melero, who until now held the positions of Vice-Chairman and Coordinating Director, as Executive Chairman, delegating all powers of the Board of Directors to him except those which cannot be delegated by law, attaining the status of executive director with the duty of the Executive Chairman.
- › Delegate all powers of the Board of Directors, except those which cannot be delegated by law, to the Managing Director, Mr Joaquín Fernández de Piérola Marín, retaining the post of executive board member although with the duty of Chief Executive.

Furthermore, on 8 March 2016 Abengoa's Board of Directors adopted the following agreements:

- › To appoint Mr Joaquín Fernández de Piérola Marín as First Vice-chairman of the Board of Directors, thereby merging this position with that of Managing Director (CEO).
- › To appoint Ms. Alicia Velarde Valiente as Second Vice-chairwoman and Coordinating Director.

On 18 April 2016 the Board of Directors of Abengoa agreed to accept the resignation of Mr. José Domínguez Abascal as director for personal reasons.

On 25 May 2016 the Board of Directors accepted the resignation tendered by Mr. Claudi Santiago Ponsa as director, as a consequence of the envisaged new shareholding composition of Abengoa as a result of the current restructuring process then ongoing.

The Ordinary General Shareholders meeting held on 30 June 2016 approved, among other resolutions, the decision to remove Mr. Javier Benjumea Llorente as executive director and ratify and appoint Joaquín Fernández de Piérola Mariín as executive director, Ricardo Martínez Rico as independent director, Alicia Velarde Valiente as independent director and Inayaba, S.L., represented by Ana Abaurrea Aya, as proprietary director.

Lastly, the Extraordinary General Shareholders meeting held on 22 November 2016 accepted the resignation tendered on that date by all the directors and, at the proposal of the Board of Directors, following a report from the Appointments and Remuneration Committee, agreed to appoint Gonzalo Urquijo Fernández de Araoz as executive director and Mr. Manuel Castro Aladro, Mr. José Luis del Valle Doblado, Mr. José Wahnnon Levy, Mr. Ramón Sotomayor Jáuregui, Mr. Javier Targhetta Roza and Ms. Pilar Caverro Mestre as independent directors.

Accordingly, on the date of approving this report, the Company's Board of Directors comprises as 1 executive director and 6 independent directors.

It is hereby noted that, as an event following the year-end, on 26 January 2017 Javier Targhetta Roza resigned his position as director for personal family reasons and the Company's Board of Directors accepted the resignation.

C.1.15

The amount of total remuneration of Board members includes remuneration paid, for any reason, to all those who have held the position of director of the Company during 2016.

C.1.16

In the context of the restructuring process Abengoa has changed its organisational structure in order to make it more streamlined, more efficient and focused on business development.

The Corporate area now includes all areas that were previously split up. This is in order to obtain greater synergies and efficiencies.

In the Business area we have removed the previous structure based on Business Groups, concentrating the activities and integrating business units to also exploit synergies and gain in efficiency. The new business organisational chart is divided into two areas, Business and Geographies, which is intended to cover all future activities of Abengoa, focusing on our core operations of Engineering and Construction and maintaining technology and innovation as key elements of competitiveness.

As a consequence of the foregoing, the senior management of the Company was simplified on 22 November 2016 to form an Executive Committee comprised of only six members: the Executive Chairman, Mr. Gonzalo Urquijo Fernández de Araoz; the CEO, Mr. Joaquín Fernández de Piérola; the Secretary General, Mr. Daniel Alaminos; the Director of Human Resources, Mr. Alvaro Polo; the Finance Director, Mr. Víctor Pastor, and the Director of Strategy and Restructuring, Mr. David Jiménez-Blanco. Therefore, on said date, the previous top management body known as Strategy Committee, the made up of 22 members, ceased to exist. Notwithstanding the foregoing, the overall amount of remuneration to senior management shown in this report reflects the remuneration of senior managers holding said post, partially or completely, in the 2016 financial year.

C.1.45

It is hereby noted that, pursuant to the services rendering business agreement that Abengoa entered into with the previous Executive Chairman, Mr. José Domínguez Abascal, in the event that the Company terminates him, he would be entitled to opt between non-competition post-contractual compensation for early/agreed termination as described above, which in the case of Mr. Domínguez Abascal reached an amount equivalent to 100% of the accrued remunerations for the immediately preceding financial year, or reintegration to his previous post. After his termination as Executive Chairman, Mr. Domínguez Abascal opted for reintegration into his previous post.

C.2.1

It is hereby noted that on 27th February 2017 the Board of Directors of Abengoa unanimously agreed to appoint Mr. José Luis del Valle Doblado as member of the Appointments and Remunerations Committee in replacement of Mr. Javier Targuetta Roza.

D.3

It is hereby stated that on 1 March 2016, Abengoa's Board of Directors agreed to terminate the service provision agreement between Abengoa and Mr. Felipe Benjumea Llorente on 23 September 2015.

D.7

Atlantica Yield plc, a company that does not belong to the Group but in which Abengoa holds a stake of approximately 40%, is listed on the US Nasdaq. For this purpose, on 26 May 2014 both companies signed a protocol for the authorisation and supervision of related-party transactions.

Other information

During 2013 Abengoa started to prepare a corporate compliance programme which it has continued to develop in recent years.

The concept of corporate compliance was introduced in adherence to international practices and to specific compulsory legal rules and regulations, especially practiced in Anglo-Saxon law and, from December 2014 onwards, in Spain. Up until the Transparency Act and, most recently, Law 31/2014, of 3 December, which amends the Spanish Companies Act to improve corporate governance, became effective and enforceable in Spain, good governance recommendations were just that: 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 harmonise the international practice with 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 Spanish Companies Act.

The goal that Abengoa hopes to attain by creating this programme and by adapting its standards to the recent amendments in the Spanish Companies Act 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 organisation and its employees comply with the existing laws, regulations and standards, including the company's behavioural standards (regulatory compliance), with Abengoa exercising due control and providing a strategic vision to tackle the legal needs of the organisation. The creation of a regulatory compliance monitoring programme by introducing an effective system of good governance and crime prevention is an essential 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 an important ongoing training programme for employees.

Also in 2002, Abengoa signed the UN Global Compact, an international initiative which aims to achieve a voluntary commitment of entities in social responsibility through the implementation of ten principles based on human, labour and environmental rights and the fight against corruption.

And in 2007 the company signed the Caring for Climate initiative, also of the United Nations. As a result, Abengoa has implemented a system of reporting emissions of greenhouse gases (GHGs), which allows it to calculate its emissions of greenhouse gases, trace all its supplies and certify the products and services it offers.

On 26 July 2010, the Company's Board of Directors agreed on the company's adhesion to the Code of Good Tax Practices.

This annual corporate governance report was approved by the Board of Directors of the company at its meeting dated _____.

Indicate whether any directors voted against or abstained in connection with the approval of this Report.

No

Individual or company name of director that did not vote in favour of the approval of this report	Reasons (opposed, abstained, absent)	Explain the reasons

02. Annual report on the remuneration of Board of Directors



A. The company's remuneration policy for the ongoing year

A.1. Abengoa's remuneration policy for the ongoing financial year 2017

At Abengoa, S.A. ("Abengoa" or the "Company") it is considered important to maintain policies geared towards proposing long-term professional careers in the Group of which Abengoa is the parent company (the "Group") and, at the same time, promoting the Company and its Group's long-term profitability and sustainability, maintaining reasonable proportionality with the importance of the Company, its economic situation at the given time and the market standards of comparable companies. 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 business knowledge of the persons holding key positions and leading the organization.

These premises determine the Group's remuneration policy in general, that of the directors, in particular, and especially that of the executives, which should make it possible to attract and retain the most distinguished professionals.

Therefore, the aim of the remuneration policy for members of the Board is as follows:

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

The remuneration policy for members of the Board of Abengoa set out in this report is based on the Annual Report on Remuneration for Members of the Board for financial year 2014, which was adopted at the ordinary General Shareholders' Meeting of 29 March 2015. In accordance with the transitional provision of Law 31/2014 of 3 December, amending the Spanish Company Law to improve corporate governance, the adoption of the report by the General Shareholders' Meeting determined that the remuneration policy set out in the report was also adopted for the purposes of article 529 novodecies of the Spanish Company Law, effective until financial year 2017 (inclusive).

However, article 39 of the Bylaws of Abengoa – which, among other things, governs Board member remuneration – was altered at that same ordinary General Shareholders' Meeting of 29 March 2015 and at the extraordinary General Shareholders' Meeting of 22 November 2016. Among other changes, the General Shareholders' Meeting of 22 November 2016 resolved to remove the previously available possibility of remunerating Board members by means of a share in the Company's earnings. The remuneration policy reflected in this report accordingly differs from the policy set out in the Annual Report on Remuneration for Members of the Board for financial year 2014 to the extent that it reflects those changes to the Bylaws in connection with remuneration.

The criteria for establishing a director remuneration policy are in conformity with the provisions of the Spanish Company Law (articles 217 to 219, 249 and 529 sexdecies to 529 novodecies), 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 director performs executive duties:

› Remuneration of members of the Board for their condition as such.

The position of director is remunerated following the stipulations of article 39 of the Bylaws. Remuneration of members of the Board consists of an amount the total sum of which will be decided by the Company's General Shareholders' Meeting, in accordance with the remuneration policy for members of the Board and on the basis of all or some of the following items, subject to any statutory requirement as to prior approval by the General Shareholders' Meeting:

- (a) a fixed allocation;
- (b) attendance allowances;
- (c) variable remuneration tied to general benchmark indicators or parameters; and
- (d) severance compensation, provided that severance does not arise from breach of the director's duties.

In addition, payment may be in the form of shares made over to non-executive directors, such share-based payment being subject to the recipients' continuing to hold the shares (except any they may need to sell to defray the costs of acquiring them) until their departure from the Board.

At present, from among the various possibilities permitted by Abengoa's internal rules, remuneration to members of the Board in their capacity as such exclusively takes the form of allowances for attendance at meetings of the Board and its Committees.

The specific determination of the amount due in respect of the above considerations to each of the members of the Board and the form of payment rests with the Board. For that purpose, the Board will have regard to the duties performed by each member within the Board itself and his/her membership of and attendance at the various Committees. Directors will also be reimbursed for costs incurred in the performance of actions entrusted to them by the Board.

Any rights and duties arising from membership of the Board will be compatible with any other rights, duties and indemnities that may attach to a Board member by virtue of any other functions, including executive duties, which he/she performs at the Company.

› **Remuneration for the performance of duties at the Company other than those attributed to directorship.**

This includes director remuneration for performing executive duties or those of another nature, other than those of supervision and decision-making exercised on a collegial basis on the Board or its Committees.

This remuneration is compatible with their remuneration simply in their capacity as members of the Board of Directors.

The setting of director remuneration for the performance of executive duties rests with the Board. It is to be noted that as from the extraordinary General Shareholders' Meeting of 22 November 2016 the only executive director now in office is the current Executive Chairman, Mr. Gonzalo Urquijo Fernández de Aroz.

The Board, at the proposal of the Appointments and Remuneration Committee, intends to lay before the upcoming ordinary General Shareholders' Meeting, for adoption if thought appropriate, a new remuneration policy for financial year 2018 and subsequent years. The Board likewise intends to propose to the General Shareholders' Meeting that the new remuneration policy also apply in 2017, thus altering the policy set out in this report in accordance with article 529 (3) novodecies of the Spanish Company Law.

A.2. Process to determine the remuneration policy

In accordance with article 28 of the Regulations of the Board of Directors of Abengoa, it falls to the Appointments and Remuneration Committee to propose to the Board the remuneration policy for directors, for senior executive vice presidents or such persons as perform senior management duties and report directly to the Board, for executive committees and for executive directors, such policy subsequently being submitted for approval to the General Shareholders' Meeting. The Appointments and Remuneration Committee must also regularly review the remuneration policy and ensure that the individual remuneration of each such person is proportionate to that paid to the rest of directors and senior executive vice presidents of the Company.

The remuneration policy for members of the Board of Abengoa set out in this report is based on the Annual Report on Remuneration for Members of the Board for financial year 2014. That remuneration policy was prepared, discussed and formulated by the Appointments and Remuneration Commission, with the resulting proposal then being referred to the Board of Directors for subsequent submission to the General Shareholders'

Meeting. External advisers were not involved in framing the remuneration policy. However, to set the policy in specific relation to directors who are in office at the time of writing, market benchmarks have been considered, based on information supplied by reputable consultants, as indicated later within this section A.2.

In accordance with the Bylaws and the Regulations of the Board of Directors of Abengoa, a majority of members of the Appointments and Remuneration Committee must be independent directors, and the Committee Chair must be appointed from among the independent directors on the Committee. At present, the Appointments and Remuneration Committee is made up of independent directors exclusively, including the Committee Chair, all of whom have been appointed on the strength of their knowledge, skills and experience in the matters dealt with by the Committee.

The current members of the Appointments and Remuneration Committee – who, in that capacity, are involved in the framing and regular review of the remuneration policy – are:

Pilar Cavero Mestre	Chair	Independent Director
José Luis del Valle Doblado	Member	Independent Director
Ramón Sotomayor Jáuregui	Member	Independent Director
Juan Miguel Goenechea Domínguez	Secretary	Non-Board member

Ms. Cavero was appointed to the Committee at a meeting of the Board of Directors of Abengoa, S.A. held on 22 November 2016, and elected as Chairwoman at a meeting of the Appointments and Remuneration Commission held on that same day; the Secretary was appointed at the meeting of the Board of Directors of Abengoa, S.A. held on 22 November 2016.

At year-end 2016, Mr. Javier Targhetta Roza was a member of the Appointments and Remuneration Committee, but on 26 January 2017 he resigned as a director for personal reasons of a family nature. The Board of Directors, at its meeting of 27 February 2017, unanimously resolved to appoint Mr. José Luis del Valle Doblado as a member of the Appointments and Remuneration Committee to replace Mr. Javier Targhetta Roza.

In the context of the restructuring of Abengoa, and in accordance with the terms of the Restructuring Agreement entered into by the Company on 24 September 2016, the Board of Directors was completely overhauled in number and membership at the extraordinary General Shareholders' Meeting of 22 November 2016. To set remuneration for the new members of the Board of Directors, all of whom are independent except the Executive Chairman, the Appointments and Remuneration Committee relied on information on market benchmarks provided by the specialized firm Spencer Stuart. To determine the terms of the contract with the Executive President, the Committee was also advised by Mercer, a consultancy firm that likewise specializes in remuneration matters.

A.3. Fixed components of remuneration

(a) Remuneration of members of the Board in their capacity as such

The remuneration of Abengoa directors in their capacity as such consists of allowances for attendance at meetings of the Board and of its Committees. The applicable amounts accrue only upon attendance by a director at the meetings of the corresponding body. The detail of these items of remuneration is as follows:

- › Allowances for attendance at meetings of the Board: € 8,000 per meeting, capped at € 80,000 per director per annum.
- › Allowances for attendance at meetings of the Audit Committee: € 2,500 per meeting, capped at € 10,000 per director per annum.
- › Allowances for attendance at meetings of the Appointments and Remuneration Committee: € 2,500 per meeting, capped at € 10,000 per director per annum.
- › Allowances for chairmanship of the Audit Committee or of the Appointments and Remuneration Committee: € 2,500 per meeting, capped at € 10,000 per director per annum.

(b) Remuneration of members of the Board for the performance of executive duties

Executive directors are paid a fixed allocation or salary as consideration for the performance of their executive duties, which consists of a fixed annual gross sum apportioned across twelve equal monthly payments.

The amount of such remuneration must lie within the range of usual remuneration for similar positions at comparable companies. This amount is set, as far as practicable, on the basis of market research conducted by external consultants.

Fixed remuneration may be increased annually in accordance with a review conducted by the Board, on the motion of the Appointments and Remuneration Committee and pursuant to the applicable remuneration policy.

As indicated earlier, since 22 November 2016 the only executive director now in office at Abengoa is its Executive Chairman, Mr. Gonzalo Urquijo Fernández de Aroz, whose fixed remuneration for 2017 comes to € 1,000,000.

Executives directors may also have the benefit of life and/or accident insurance paid for by the Company.

A.4. Variable components of the remuneration systems

At Abengoa, only executive directors are entitled to variable remuneration.

(a) Annual variable remuneration (or bonus)

Annual variable remuneration of executive directors forms part of Abengoa's general remuneration policy for senior management, and partakes of the same general structure as the annual variable remuneration of senior executives. As regards executive directors, it falls to the Board, at the proposal of the Appointments and Remuneration Committee, to set annual targets and their weightings in accordance with the applicable remuneration policy.

Annual variable remuneration (or bonus) for executive directors is tied to the fulfillment of targets. Those targets, in turn, are mainly pegged to Earnings Before Interest, Taxes, Depreciation and Amortization, or "EBITDA". Given this framework, at the beginning of the financial year an estimate is made of the total variation range for the variable remuneration that may be due to executive directors.

Variable remuneration takes the form of an annual bonus, and is settled as a lump sum (it accrues for all purposes within the financial period then being settled, as appropriate).

For the purposes of the calculation of annual variable remuneration due to the Executive Chairman, the notional benchmark variable is equal to 100 % of his annual fixed remuneration, which will match the amount of the bonus if 100 % of all targets set for the given year are fulfilled. The annual variable remuneration that actually accrues can range from 80 % to a maximum of 140 % of the notional benchmark variable. At the time of writing, the annual variable remuneration targets for the Executive Chairman and their weightings are yet to be determined by the Board.

In the context of its review of the remuneration policy referred to in section A.1, the Appointments and Remuneration Committee is considering whether or not it is expedient to begin a study on possible variable compensation linked to achieving targets related to the restructuring process the Company is currently immersed in, in order to, in turn, propose to the Board of Directors that any applicable resolutions be adopted, including considering the Executive Chairman as a potential beneficiary of this compensation.

(b) Multiannual variable remuneration

Executive directors, as members of the senior management of Abengoa, are eligible to participate in the multiannual variable remuneration schemes for senior executives adopted from time to time by the Board at the proposal of the Appointments and Remuneration Committee.

At present, there are two extraordinary long-term variable remuneration plans for senior executives, adopted in January 2014 and July 2014, respectively, the terms and conditions of which are set out in section C.1. However, at the time of writing, Mr. Gonzalo Urquijo Fernández de Araoz, the only executive director now in office, was not a participant of either plan. Neither are any rights held under those plans by Mr. Javier Benjumea Llorente, Mr. José Domínguez Abascal or Mr. Antonio Fornieles Melero, who formerly performed executive duties, of which they were relieved in the course of 2016. Mr. Joaquín Fernández de Piérola Marín, who was released from his office of Chief Executive Officer on 22 November 2016 and is now a senior executive manager of the Abengoa Group, would retain rights under those plans in his present capacity, but, as did the other members of senior management who were formerly entitled under those plans, he has waived the rights.

Within the framework of the review of the remuneration policy referred to in section A.1, it is intended to adopt a medium- and long-term incentive plan for senior executives to replace the two plans referred to above. Executive directors would be eligible to take part in the new plan.

A.5. Long-term savings systems

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

A.6. Compensation

There is no provision for the payment of any compensation to directors in the event of termination of their positions as such. Compensation will be paid only in the event of termination of executive duties, as indicated in section A.7 below.

A.7. Terms and conditions of contracts entered into with executive directors

Based on proposals by the Appointments and Remuneration Commission, the Board of Directors fixes the remuneration of executive directors 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 set out in article 249 of the Spanish Company Law.

The main terms of the contract entered into by the Company with the Executive Chairman, Mr. Gonzalo Urquijo Fernández de Araoz, the only executive director in office at the time of writing, are outlined below:

a) Permanent

The contract entered into with the Executive Chairman is of indefinite duration, and makes provision for financial compensation in the event of termination of the contractual relationship with the Company, unless such termination is due to voluntary departure, death or disability of the director or to breach of his duties.

b) Exclusivity and non-competition

The Executive Chairman's contract places him under a duty of exclusive dedication to the Company as regards executive functions.

In addition, the contract includes a post-contractual non-competition clause, effective for one year after the end of his relationship with the Company. As consideration for this undertaking, the Executive Chairman will be entitled to compensation in an amount equal to one year of fixed and variable remuneration. If the Executive Chairman resigns of his own free will, the Company reserves the right not to trigger this covenant. If it is acknowledged that the Executive Chairman is entitled to the severance compensation referred to in section (e) below, the compensation for post-contractual non-competition will be deemed to be included in that amount.

If the director dishonours the post-contractual non-competition undertaking, he must pay to the Company a penalty equal to one year's fixed and variable remuneration.

c) Indemnity clauses

The Executive Chairman's contract entitles him to collect an indemnity in an amount equal to two years' fixed and variable remuneration upon termination of the contract, unless such termination is caused by voluntary resignation, death or disability of the director or by a serious and culpable breach of his duties. In events of voluntary resignation, such resignation must be tendered at least three months in advance of its intended effective date. If the director fails to comply with this condition, he must indemnify the Company with an amount equal to his fixed and variable remuneration for a time equal to the period of notice that he failed to give. If it is acknowledged that the director is entitled to severance compensation, one of the two years' remuneration will be deemed to have been received by way of consideration for the non-competition undertaking described in section (b) above.

At the Board meeting of 27 February 2017, at the proposal of the Appointments and Remuneration Committee, targets were set for the Executive Chairman for 2017. It was resolved that entitlement to the variable components of remuneration would be subject to reimbursement (and the Company may demand recovery) if the payment is inconsistent with the terms of performance or was made having regard to data later shown to be inaccurate.

In addition, the Company is considering the question of whether or not to include this provision in the new remuneration policy referred to in section A.1 above, in which event the Executive Chairman's contract would have to be modified.

A.8. Additional remuneration

As of the date of this report, no additional remuneration has accrued as consideration for services rendered other than those attaching to directorships or, as the case may be, to the performance of executive duties.

A.9. Advances, credits and guarantees granted

As of the date of this report, there were no advances, credits or guarantees granted to members of the Board of Directors of Abengoa.

A.10. Remuneration in kind

By way of remuneration in kind, the Executive Chairman benefits from a life and accident insurance policy the premiums for which are paid by the Company.

In addition, all Abengoa directors are covered by a civil liability policy arranged by the Company on market terms.

A.11. Remuneration accrued by directors by virtue of payments made to a third-party entity

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

A.12. Other payable items

There are no other items payable 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 good strategic planning, it is essential that there is accurate and rigorous management that considers the risks associated with the company's activity itself and anticipates how to mitigate them.

Thus, Abengoa has its own global system for managing risks, included within the common management systems, which means risks can be controlled and identified. It is regularly updated for the purpose of creating a culture of common management, achieving the objectives set in the area and having the capacity to adapt in order to mitigate any threats that may surface in an environment as competitive as the present.

Implementation of this system entails:

- › Risk management at all levels of the organization, without exception.
- › Full integration with strategy and systems to achieve the targets set.
- › Full support of Management to evaluate, follow up and comply with guidelines relating to threat management.

This risk management system is based on three tools:

- › Mandatory rules (NOC in Spanish).
- › Mandatory processes (POC in Spanish).
- › The Universal Risk Model (URM).

Compliance is guaranteed through the checks carried out by the Internal Audit Department and at committee meetings regularly held with senior management and the Chairman.

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

The Universal Risk Model (URM) is the methodology that Abengoa uses to identify, understand and evaluate the risks that may affect the Company. Its main purpose is to obtain a comprehensive view of them, thereby designing an efficient system that is in line with the business goals and objectives of Abengoa.

The URM consists of over 55 risks that belong to 20 different categories grouped into 4 large areas: financial, strategic, regulatory and operational.

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.

C. Overall summary of how the remuneration policy was applied during the last financial year

C.1. Remuneration policy applied during 2016: structure and payable items

The structure and components of the remuneration policy applied in 2016 are described below. A distinction is drawn between remuneration of directors in their capacity as such, and remuneration of directors for the performance of executive duties:

Remuneration of members of the Board for their condition as such

The structure and components of the remuneration policy applied in 2016 for directors in their capacity as such were as follows:

- › Allowances for attendance at meetings of the Board: €1,254 thousand.
- › Allowances for attendance at meetings of the Audit Committee and of the Appointments and Remuneration Committee, and for chairing those committees: €161 thousand.

These are aggregate amounts for all directors.

Remuneration for the performance of duties at the Company other than those attributed to directorship

The structure and components of the remuneration policy applied in 2016 for the performance of executive duties were as follows:

(i) Fixed remuneration

Fixed remuneration paid to directors for the performance of executive duties during 2016 in accordance with the contracts approved by the Board at the proposal of the Appointments and Remuneration Committee came to a total of €1,367,500. This figure includes the amounts for: (a) Mr. Gonzalo Urquijo Fernández de Araoz, current Executive President; (b) Mr. Javier Benjumea Llorente until 30 June 2016, when he ceased to be a director; (c) Mr. José Domínguez Abascal until 1 March 2016, when he was relieved of his executive duties; (d) Mr. Antonio Fornieles Melero until 22 November 2016, when he departed from the Board; and (e) Mr. Joaquín Fernández de Piérola Marín until 22 November 2016, when he ceased to be a director.

(ii) Annual variable remuneration (bonus)

None of the directors who performed executive duties and were relieved of such duties in the course of 2016, i.e., Mr. Javier Benjumea Llorente, Mr. José Domínguez Abascal, Mr. Antonio Fornieles Melero and Mr. Joaquín Fernández de Piérola Marín, has earned any variable remuneration for that year.

Mr. Gonzalo Urquijo Fernández de Araoz joined the Board of Directors and took office as Executive Chairman on 22 November 2016. As indicated in section A.4, as of the date of this report the Board of Directors had not yet set its targets for the purpose of calculating variable annual remuneration, or the weightings of each target. Therefore, the Executive President likewise has earned no variable annual remuneration for the time during which he performed executive duties in 2016. However, his performance during that period may, if appropriate, be taken into account when setting targets for 2017.

(iii) Extraordinary variable remuneration plans for senior management

As indicated in section A.4, there are currently two long-term variable remuneration plans for senior management, in which some executive directors took part in 2016. However, the directors who are now members of senior management have waived their rights under those plans.

These plans do not involve remuneration that is linked to the Company share price within the meaning of article 219 of the Spanish Company Law. However, the entitlement to receive such remuneration, but not the amount per se, is conditional on the class B shares of the Company rising to certain quoted prices. This requirement may be disapplied by the Appointments and Remuneration Committee if warranted by exceptional circumstances in the securities markets.

1. Extraordinary variable remuneration plan for senior management approved in January 2014

This plan, which replaces and supersedes the earlier extraordinary plan approved in February 2011, was approved by the Board of Directors of the Company in January 2014, in accordance with the proposal of the Appointments and Remuneration Committee.

One of the beneficiaries formerly under the plan was the former CEO and current senior executive manager Mr. Joaquín Fernández de Piérola Marín, among other senior executives. The plan will mature on 31 December 2017.

Entitlement to this remuneration is subject to the following conditions:

- a) the beneficiary must remain an employee until the end of the plan;
- b) the beneficiary must be entitled to receive an annual bonus in each financial year within the period in question;
- c) the extent of fulfillment (of targets) must be 20% per annum, in addition to the requirement that the beneficiary remains as an employee of the Company until 31 December 2017;
- d) the consolidated budget of the Business and/or the Abengoa Group for 2017 must have been fulfilled in accordance with the Strategic Plan in effect at the given time.
- e) the average price of Abengoa class B shares over the last three months of 2017 must remain above a certain value.

If a plan beneficiary loses that status before the end of the plan (whether voluntarily or as a result of dismissal for cause), he/she will lose his/her entitlement to any payment under the plan.

If a beneficiary dies, the plan terminates, and his/her heirs are entitled, depending on the seniority of the decedent executive, to the entire amount or the vested amount to which he/she would have been entitled for the financial period ended before his/her death.

If a beneficiary retires by virtue of reaching retirement age or of a declaration of absolute permanent disability (preventing him/her from doing any other kind of work) before the end of the term of effect of the plan, he/she will be entitled to the amount that vested during fully completed financial periods as of the date of retirement, provided that the rest of stipulated conditions are satisfied.

At year-end 2016, no expense was recognized in respect of the plan, because it was believed that the stipulated conditions were unlikely to be satisfied, in view of the Company's present state of affairs, which led to the filing of the notice required under article 5 bis of the Insolvency Law (**Ley 22/2003, de 9 de julio, Concursal**) and to the financial restructuring process in which the Company has been involved until early 2017. However, if the plan were ever implemented, the executive directors who took part in 2016 and who today are members of senior management (Mr. Joaquín Fernández de Piérola) would not be entitled to any amount, because they have waived their rights under those plans.

2. Extraordinary variable remuneration plan for senior management approved in July 2014

This plan was approved by the Board of Directors of the Company in July 2014, in accordance with the proposal of the Appointments and Remuneration Committee.

One of the beneficiaries formerly under the plan was the former CEO and current senior executive manager Mr. Joaquín Fernández de Piérola Marín, among other senior executives. The duration of the plan is five years (2014-2018), such that it will mature on 31 December 2018.

Entitlement to this remuneration is subject to the following conditions:

- a) the beneficiary must remain an employee until the end of the plan;
- b) where an executive's remuneration is wholly or partly linked to the fulfillment of personal targets, the beneficiary must have been entitled to the annual bonus;
- c) the extent of fulfillment (of targets) must be 20% per annum, in addition to the requirement that the beneficiary remains as an employee of the Company until 31 December 2018;
- d) the average price of Abengoa class B shares over the last three months of 2018 must remain above a certain value.

If the executive's employment terminates (voluntarily or by dismissal), the plan terminates and no remuneration accrues.

If a beneficiary dies, the plan terminates, and his/her heirs are entitled, depending on the seniority of the decedent executive, to the entire amount or the vested amount to which he/she would have been entitled for the financial period ended before his/her death.

If a beneficiary retires by virtue of reaching retirement age or of a declaration of absolute permanent disability (preventing him/her from doing any other kind of work) before the end of the term of effect of the plan, he/she will be entitled to the amount that vested during fully completed financial periods as of the date of retirement, provided that the rest of stipulated conditions are satisfied.

At year-end 2016, no expense was recognized in respect of the plan, because it was believed that the stipulated conditions were unlikely to be satisfied, in view of the Company's present state of affairs, which led to the filing of the notice required under article 5 bis of the Insolvency Law and to the financial restructuring process in which the Company has been involved until early 2017. However, the executive directors who took part in 2016 and who today are members of senior management (Mr. Joaquín Fernández de Piérola) would not be entitled to any amount, because they have waived their rights under those plans.

(iv) Exceptional compensation due to the former Executive Chairman

The contract with the former Executive Chairman, Mr. José Domínguez Abascal, entitled him to receive as exceptional compensation for 2016 an amount equal to his gross fixed annual remuneration of € 700,000, subject to the following conditions being satisfied in the course of 2016:

- › agreement to be reached with financial and/or trade creditors in the process of restructuring of the Company balance sheet; and/or
- › as the case might be, agreement to be reached with investors for their entry into Abengoa's shareholder structure, or otherwise shoring up the Company's equity and/or resolving the Company's present financial position; and

in both cases or in either case, a declaration of insolvency of the Company in 2016 to be avoided, or, if not avoided, such insolvent status to be lifted within 2016.

On 7 March 2016, at the proposal of the Appointments and Remuneration Committee, the Board determined that, as of the date of Mr. Domínguez's departure from office as Executive Chairman of Abengoa, the conditions of entitlement to that remuneration had not been satisfied, and therefore no payment would be made.

(v) Indemnities

None of the directors who performed executive duties and were relieved of such duties in the course of 2016, i.e., Mr. Javier Benjumea Llorente, Mr. José Domínguez Abascal, Mr. Antonio Fornieles Melero and Mr. Joaquín Fernández de Piérola Marín, has earned any amount by way of severance compensation or of consideration for post-contractual non-competition undertakings.

See section E "Other information of interest", Note 1 to section C.1.

(vi) Remuneration in kind

In 2016, the Executive Chairman, Mr. Gonzalo Urquijo Fernández de Aroz, and, until their respective departures as executive directors, Mr. Javier Benjumea Llorente, Mr. José Domínguez Abascal, Mr. Antonio Fornieles Melero and Mr. Joaquín Fernández de Piérola Marín, were beneficiaries of life and accident insurance paid for by the Company.

The premiums paid came to a total of € 874.

(vii) Other items Advances, credits and guarantees. Payments to third parties. Additional remuneration

In 2016, none of the directors of Abengoa earned any remuneration for the performance of executive duties in respect of items other than those enumerated in sections (i) to (vi) above.

In 2016 no advances, credits or guarantees were granted to directors; no payments were made to any entity as consideration for services provided to Abengoa by external directors; and no additional remuneration was paid to directors as consideration for services rendered other than those attaching to their position as directors or, as the case may be, the performance of executive duties.

See section E "Other information of interest", Note 2 to section C.1.

D. Breakdown of individual remuneration accrued by each director

D.1. Breakdown of individual remuneration accrued by directors

a) Remuneration accrued at Abengoa, S.A. (in thousands of euros):

Name	Type	Period	Salary	Fixed remuneration	Attendance fees	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership of Board committees	Indemnities	Other items	Total 2016	Total 2015
Felipe Benjumea Llorente ⁽¹⁾	Executive	01/01/15-23/09/15										15,671
Aplidig, S.L. ⁽¹⁾	Executive	01/01/15-19/015										2,804
Manuel Sánchez Ortega ⁽¹⁾	Executive	01/01/15-27/07/15										8,388
María Teresa Benjumea Llorente ⁽¹⁾	Proprietary	01/01/15-10/10/15										43
Fernando Solís Martínez Campos ⁽¹⁾	Proprietary	01/01/15-10/10/15										57
Carlos Sundheim Losada ⁽¹⁾	Proprietary	01/01/15-10/10/15										57
Santiago Seage Medela ⁽¹⁾	Executive	18/05/15-27/11/15										594
Javier Benjumea Llorente ⁽²⁾	Executive	01/01-30/06	60		51						111	2,600
José Borrell Fontelles ⁽³⁾	Independent	01/01-22/11			145			40			185	300
Mercedes Gracia Díez ⁽³⁾	Independent	01/01-22/11			145			40			185	200
Ricardo Martínez Rico ⁽³⁾	Independent	01/01-22/11			100						100	130
Alicia Velarde Valiente ⁽³⁾	Independent	01/01-22/11			136			40			176	150
Ricardo Hausmann ⁽³⁾	Independent	01/01-22/11			229						229	280
José Joaquín Abaurre Llorente ⁽³⁾	Proprietary	01/01-22/11			100						100	150
José Luis Aya Abaurre ⁽⁴⁾	Proprietary	01/01-12/02			20						20	150
Inayaba, S.L. ⁽³⁾⁽⁵⁾	Proprietary	07/03-22/11			80						80	-
Claudi Santiago Ponsa ⁽⁶⁾	Proprietary	01/01-25/05			36						36	78
Ignacio Solís Guardiola ⁽³⁾	Proprietary	01/01-22/11			71						71	78
Antonio Fornieles Melero ⁽³⁾⁽⁷⁾	Independent/Executive	01/01-22/11	509		29			10			548	195
José Domínguez Abascal ⁽⁸⁾	Executive/External	01/01-18/04	119								119	175
Joaquín Fernández de Piérola Marín ⁽³⁾⁽⁹⁾	Executive	01/01-22/11	571								571	23
Gonzalo Urquijo Fernández de Aroz ⁽¹⁰⁾	Executive	22/11-31/12	108		16						124	
Manuel Castro Aladro ⁽¹¹⁾	Independent	22/11-31/12			16			3			19	
José Wahnnon Levy ⁽¹¹⁾	Independent	22/11-31/12			16			5			21	
Pilar Cavero Mestre ⁽¹¹⁾	Independent	22/11-31/12			16			10			26	

Name	Type	Period	Salary	Fixed remuneration	Attendance fees	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership of Board committees	Indemnities	Other items	Total 2016	Total 2015
José Luis del Valle Doblado ⁽¹⁷⁾	Independent	22/11-31/12			16			3			19	
Javier Targhetta Roza ⁽¹⁷⁾	Independent	22/11-31/12			16			5			21	
Ramón Sotomayor Jáuregui ⁽¹⁷⁾	Independent	22/11-31/12			16			5			21	
Total			1,367	0	1,254	0	0	161	0	0	2,782	32,123

Note (1): Mr. Felipe Benjumea Llorente, Aplidig, S.L., Mr. Manuel Sánchez Ortega, Ms. María Teresa Benjumea Llorente, Mr. Fernando Solís Martínez Campos, Mr. Carlos Sundheim Losada and Mr. Santiago Seage Medela ceased to be directors of Abengoa in the course of 2015. Specifically:

- › Mr. Felipe Benjumea Llorente tendered his resignation as a director of Abengoa in a letter addressed to the Board and dated 23 September 2015, as a result of his having been removed from the Executive Chairmanship and as part of a range of undertakings given by the Company to certain banks. That Mr. Felipe Benjumea should resign was a non-negotiable condition imposed by the underwriting and financing banks in the context of a capital increase which the Company needed to undertake. Later, during the third quarter of 2015 and up until 1 March 2016, he acted as an adviser to the Board under a consultancy contract entered into with Abengoa. The contract terminated on the latter date. Mr. Benjumea Llorente has waived his entitlement to any amount he might otherwise have been paid under the contract.
- › Aplidig, S.L., represented by Mr. José B. Terceiro Lomba, resigned as a director of Abengoa on 19 January 2015.
- › Mr. Sánchez Ortega resigned as CEO of Abengoa on 18 May 2015, when he was replaced by Mr. Santiago Seage Medela. Later, on 27 July 2015, he also resigned as a director of the Company. Until his resignation as a director of Abengoa on 27 July 2015, Mr. Sánchez Ortega performed a range of duties intended to ease the transition to the leadership of the new CEO of the Company, under a commercial service provision contract.
- › Ms. Benjumea Llorente resigned as a director of Abengoa on 18 May 2015. She later rejoined the Board on 27 July 2015. Finally, on 10 October 2015, at the extraordinary General Shareholders' Meeting held on that date, she again resigned as a director of Abengoa.
- › Mr. Solís Martínez-Campos tendered his resignation as a director of Abengoa on 10 October 2015 at the extraordinary General Shareholders' Meeting held on that day.
- › Mr. Sundheim Losada tendered his resignation as a director of Abengoa on 10 October 2015 at the extraordinary General Shareholders' Meeting held on that day.
- › Mr. Seage Medela was appointed member of the Board and CEO of Abengoa on 18 May 2015, replacing Mr. Sánchez Ortega. He later resigned as CEO of Abengoa and as a director on 27 November 2015.

In 2016, no remuneration accrued to the persons referred to above either in their capacity as directors or for the performance of executive duties. The data on their remuneration is limited to 2015, and is presented in aggregate form for purposes of comparison.

Note (2): Mr. Javier Benjumea Llorente was removed from his position as a director at the General Shareholders' Meeting held on 30 June 2016.

Note (3): Mr. Antonio Fornieles Melero, Mr. Joaquín Fernández de Piérola Marín, Ms. Alicia Velarde Valiente, Ms. Mercedes Gracia Díez, Mr. José Borrell Fontelles, Mr. Ricardo Hausmann, Mr. Ricardo Martínez Rico, Mr. José Joaquín Abaurre Llorente, Inayaba, S.L. (represented by Ms. Ana Abaurrea Aya) and Mr. Ignacio Solís Guardiola tendered their respective resignations as directors on 22 November 2016.

Note (4): Mr. José Luis Aya Abaurre died on February 2016.

Note (5): Inayaba, S.L. was appointed as a proprietary director of Abengoa on 7 March 2016, replacing Mr. Aya Abaurre. Inayaba, S.L. appointed as its natural-person representative Ms. Ana Abaurrea Aya.

Note (6): Mr. Claudi Santiago Ponsa resigned as a director on 25 May 2016.

Note (7): Mr. Fornieles Melero was appointed as an independent director of Abengoa on 19 January 2015, replacing Aplidig, S.L. Subsequently, on 1 March 2016, Mr. Fornieles Melero was appointed as Executive Chairman of the Board of Abengoa to replace Mr. José Domínguez Abascal.

Note (8): Mr. Domínguez Abascal was appointed as a proprietary director and as non-executive Chairman of the Board of Abengoa on 23 September 2015, replacing Mr. Felipe Benjumea Llorente. Later, on 27 November 2015, the Board of Abengoa delegated to Mr. Domínguez Abascal all powers that are delegable under the law and the Bylaws. Later, on 1 March 2016, Mr. Domínguez Abascal was removed from the Executive Chairmanship of the Board of Abengoa. He was replaced by Mr. Fornieles Melero, and from that date onward held the status of external director.

Note (9): Mr. Fernández de Piérola Marín was appointed as a director and senior executive manager of Abengoa, replacing Mr. Seage Medela, on 27 November 2015. Until his appointment as director and senior executive manager, Mr. Fernández de Piérola Marín had been chairman of the board of Abengoa México, S.A. de C.V. Later, on 1 March 2016, Mr. Fernández de Piérola Marín was appointed Chief Executive Officer of Abengoa.

Note (10): Mr. Urquijo Fernández de Araoz was appointed as an independent adviser to the Board of Abengoa, without a directorship, on 10 August 2016. Later, on 22 November 2016, he was appointed as an executive director and as Chairman of the Board of Abengoa, replacing Mr. Antonio Fornieles Melero.

Note (11): Mr. Castro Aladro, Mr. Wahnnon Levy, Mr. Cavero Mestre, Mr. del Valle Doblado, Mr. Targhetta Roza and Mr. Sotomayor Jáuregui were appointed as independent directors of Abengoa on 22 November 2016, replacing the previous members of the Board of Directors, who resigned on that day.

As indicated in previous sections, the Company does not have in place any share-based payment scheme or long-term savings scheme. As of the date of this report, furthermore, there were no advances, credits or guarantees granted to members of the Board of Directors of Abengoa.

In 2016, the Company paid €0.874 thousand for life and accident insurance premiums covering the following executive directors:

Name / type	2016	2015
Felipe Benjumea Llorente / Executive	–	0.4
Manuel Sánchez Ortega / Executive	–	0.3
Javier Benjumea Llorente / Executive	0.213	0.5
Santiago Seage Medela / Executive	–	0.2
José Domínguez Abascal / Executive	0.123	0.5
Antonio Fornieles Melero / Executive	0.293	–
Joaquín Fernández de Piérola Marín / Executive	0.203	0.1
Gonzalo Urquijo Fernández de Araoz / Executive	0.042 ⁽¹⁾	–
Total	0.874	2.1

Note (1): The figure for Mr. Urquijo is estimated, because the respective invoice has not yet been received.

b) Remuneration accrued by the directors of Abengoa, S.A. for membership of Boards in other Group companies (in thousands of euros):

Name	Type	Accrual period 2016	Salary	Fixed remuneration	Attendance fees	Short-term variable remuneration	Long-term variable remuneration	Remuneration for membership of Board committees	Indemnities	Other items	Total 2016	Total 2015
Javier Benjumea Llorente ⁽¹⁾	Executive	01/01-30/06									–	52 ⁽²⁾
Total			–	–	–	–	–	–	–	–	–	52

Note (1): Mr. Benjumea Llorente resigned as a director of Abengoa Bioenergía, S.A. on 29 January 2016, and has not earned remuneration in any form in that respect in 2016.

Note (2): The total figure accrued in 2016 is shown, although as of the date of issue of this report the amount of € 13 thousand for allowances relating to Abengoa Bioenergía, S.A. board meetings in 2015 is still pending payment.

c) Summary of the remuneration (in thousands of euros):

Name	Type	Remuneration accrued at the Company				Remuneration accrued at Group companies				Totals			Contribution to the savings scheme during the financial year
		Total remuneration in cash	Value of shares granted	Gross gain on share options exercised	Total 2016 company	Total remuneration in cash	Value of shares granted	Gross gain on share options exercised	Total 2016 Group	Total 2016	Total 2015		
Felipe Benjumea Llorente	Executive	-	-	-	-	-	-	-	-	-	15,671	-	
Aplidig, S.L.	Executive	-	-	-	-	-	-	-	-	-	2,804	-	
Manuel Sánchez Ortega	Executive	-	-	-	-	-	-	-	-	-	8,388	-	
María Teresa Benjumea Llorente	Proprietary	-	-	-	-	-	-	-	-	-	61	-	
Fernando Solís Martínez Campos	Proprietary	-	-	-	-	-	-	-	-	-	57	-	
Carlos Sundheim Losada	Proprietary	-	-	-	-	-	-	-	-	-	57	-	
Santiago Seage Medela	Executive	-	-	-	-	-	-	-	-	-	594	-	
Javier Benjumea Llorente	Executive	111	-	-	111	-	-	-	-	111	2,652	-	
José Borrell Fontelles	Independent	185	-	-	185	-	-	-	-	185	300	-	
Mercedes Gracia Díez	Independent	185	-	-	185	-	-	-	-	185	200	-	
Ricardo Martínez Rico	Independent	100	-	-	100	-	-	-	-	100	130	-	
Alicia Velarde Valiente	Independent	176	-	-	176	-	-	-	-	176	150	-	
Ricardo Hausmann	Independent	229	-	-	229	-	-	-	-	229	280	-	
José Joaquín Abaurre Llorente	Proprietary	100	-	-	100	-	-	-	-	100	150	-	
José Luis Aya Abaurre	Proprietary	20	-	-	20	-	-	-	-	20	150	-	
Inayaba, S.L.	Proprietary	80	-	-	80	-	-	-	-	80	-	-	
Claudi Santiago Ponsa	Proprietary	36	-	-	36	-	-	-	-	36	78	-	
Ignacio Solís Guardiola	Proprietary	71	-	-	71	-	-	-	-	71	78	-	
Antonio Fornieles Melero	Independent/ Executive	548	-	-	548	-	-	-	-	548	195	-	
José Domínguez Abascal	Executive/External	119	-	-	119	-	-	-	-	119	175	-	
Joaquín Fernández de Piérola Marín	Executive	571	-	-	571	-	-	-	-	571	23	-	
Gonzalo Urquijo Fernández de Araoz	Executive	124	-	-	124	-	-	-	-	124	-	-	
Manuel Castro Aladro	Independent	19	-	-	19	-	-	-	-	19	-	-	
José Wahnnon Levy	Independent	21	-	-	21	-	-	-	-	21	-	-	
Pilar Cavero Mestre	Independent	26	-	-	26	-	-	-	-	26	-	-	
José Luis del Valle Doblado	Independent	19	-	-	19	-	-	-	-	19	-	-	
Javier Targhetta Roza	Independent	21	-	-	21	-	-	-	-	21	-	-	
Ramón Sotomayor Jáuregui	Independent	21	-	-	21	-	-	-	-	21	-	-	
Total		2,782	-	-	2,782	-	-	-	-	2,782	32,193	-	

D.2. Relationship between remuneration and profit/loss of the Company

Remuneration of executive directors at Abengoa is linked to Company performance through the variable components described in sections A.4 and C.1:

- › annual variable remuneration (bonus) is linked to the fulfillment of targets chiefly tied to EBITDA and such other benchmarks as the Board may adopt at the proposal of the Appointments and Remuneration Committee; and
- › multiannual variable remuneration, which in 2016 was structured as participation in extraordinary variable remuneration plans for senior management, likewise described in sections A.4 and C.1. Those plans will mature on 31 December 2017 and 31 December 2018, respectively.

In 2016, the process of restructuring the Company has affected its business, performance and share price. Hence, in connection with multiannual variable remuneration, the Company has not recognized any provision for payments to directors under those plans, on the basis that the requirements for any such payments to crystallize are unlikely to be satisfied. As to annual variable remuneration, for the reasons indicated in section C.1, no bonus has accrued for the benefit of any director in connection with his/her performance of executive duties in 2016.

D.3. Result of advisory voting of the General Shareholders' Meeting regarding the annual report on remuneration of the previous financial year

	Number	% of total
Votes cast	4,925,363,405	53.5733 %

	Number	% of votes cast
Votes in favour	4,834,923,576	98.1638 %
Votes against	89,796,575	1.8231 %
Abstentions	643,254	0.0131 %

E. Other information of interest

Note 1 to section C.1. – Remuneration policy applied during 2016: structure and payable items

As to the absence of severance compensation or consideration for post-contractual non-competition undertakings accruing for the benefit of directors who performed executive duties and were relieved of them in 2016, the following disclosures are now made:

- › The commercial contract with the former Chief Executive Officer, Mr. Joaquín Fernández de Piérola Marín, entitled him to compensation equal to 100 % of the remuneration received by Mr. Joaquín Fernández de Piérola Marín in the immediately preceding financial year, in the event of early termination of his contractual relationship with the Company– if not triggered by breach of his duties and obligations in his capacity as CEO and not due exclusively to his own volition–. That amount was also recognized by way of consideration for post-contractual non-competition.

These two forms of indemnity were incompatible, hence, if the director were to receive the indemnity for early termination, he would not be entitled to the consideration for the non-competition undertaking. Breach of the obligation of non-competition would at all events entail the return of the indemnity amount by the executive director, regardless of the basis on which such indemnity was received.

On 22 November 2016, Mr. Fernández de Piérola Marín resigned from his directorship, and all his functions and powers were revoked. On that same day, the Board appointed him as senior executive manager of the Group, while also (i) terminating his contract as an executive director, and (ii) entering into a fresh contract having regard to his capacity as senior executive manager. This being so, because the relationship between the company and Mr. Fernández de Piérola continued, no severance compensation accrued for his benefit.

- › Under the commercial service provision contract entered into with the former Executive Chairman Mr. José Domínguez Abascal, he was entitled, if the Company were to remove him, either to severance compensation for early termination and post-contractual non-competition – which in Mr. Domínguez Abascal's case would come to an amount equal to 100 % of the remuneration accrued during the immediately preceding financial year – or to his being restored to his former position of employment. After his termination as Executive Chairman, Mr. Domínguez Abascal elected to be restored to his former position of employment.

Note 2 to section C.1. – Remuneration policy applied during 2016: structure and payable items

Mr. Urquijo Fernández de Araoz, before he was appointed as a director, was appointed as an independent adviser to the Board of Abengoa on 10 August 2016, and therefore entered into the appropriate contract with the Company. On 22 November 2016, he was appointed as an executive director and as Chairman of the Board of Abengoa, replacing Mr. Antonio Fornieles Melero. On that same day, the consultancy contract by which he was formerly tied to the Company was terminated. The total amount received by Mr. Urquijo Fernández de Araoz in that capacity as an independent advisor came to a gross figure of € 17,000.

This annual remuneration report was adopted unanimously by the Company's Board of Directors at its meeting held on 27 February 2017.

The background of the slide features a close-up, low-angle shot of an open book. The pages are dark and densely packed, creating a sense of depth. A bright, warm light source, possibly a lamp, is positioned to the right, casting a soft, golden glow across the scene. The light creates a large, curved, semi-transparent white area on the left side of the image, which serves as a backdrop for the text. The overall mood is professional and scholarly.

03. Report on the Activities of the Audit Committee

1. Scope

Abengoa's Audit Committee was created by the Board of Directors of Abengoa, S.A. on 2 December 2002, pursuant to article 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 Committees. Abengoa also has a corporate governance system that is fully compliant with applicable regulations and best practices.

The Report on the Activities of the Audit Committee in 2016 was approved at the meeting held by said Committee on 27 February 2017, presented to the Board of Directors on 27 February 2017, and will be made available to the company's shareholders on publication of Abengoa's annual report, no later than the Annual General Shareholders' Meeting.

2. Composition of the Audit Committee

The Internal Regulations of the Audit Committee were approved by the Board of Directors on 24 February 2003, and establish:

2.1. Composition and appointment

The Audit Committee will permanently comprise at least three directors. At least two of these will be non-executive directors, thereby complying with the requirement of having a majority of non-executive directors provided by the aforementioned Law 44/2002.

Directors will serve on the committee for a maximum term of four years, renewable for maximum periods of the same duration.

In 2016, the Committee adapted its composition to corporate governance requirements applicable to listed companies in the United States.

In accordance with best practices in connection with corporate governance, and with Spanish Securities Commission (CNMV) guidelines, all members of the Audit Committee must be independent.

Likewise, at least one member of the Committee must be considered to be a financial and accounting expert.

The Audit Committee is comprised by the directors mentioned below, all of whom are independent, appointed on the specified dates:

Chairman / director	Mr. José Wahnón Levy	Independent director	22 Nov. 2016
Member	Mr. José Luis del Valle Pérez	Independent director	22 Nov. 2016
Member	Mr. Manuel Castro Aladro	Independent director	22 Nov. 2016
Secretary, non-director	Mr. Daniel Alaminos Echarri	Secretary, non-member	23 Jun. 2014

On 22 November 2016, the Extraordinary General Shareholders' Meeting accepted the resignations tendered by the directors and agreed, at the proposal of the Appointments and Remuneration Committee, and in accordance with the terms of the Restructuring Agreement signed by the company on 24 September 2016, to appoint new members of the Board of Directors, which now comprises six members, all of whom are independent directors.

On 22 November 2016, the Board of Directors appointed the new members of the Audit Committee: Mr. José Wahnón Levy, chairman of the committee, Mr. José Luis del Valle Doblado and Mr. Manuel Castro Aladro.

As a result of the changes in the governing bodies, Abengoa's Audit Committee comprises three independent directors, with proven financial and accounting experience, as evidenced by their professional profiles, which we outline below:

Mr. José Wahnón Levy

Graduated in Economics at Barcelona University and in Law at Madrid's Universidad Complutense, and holds a Master's (PDM 89) from Harvard Business School.

He began his career at PricewaterhouseCoopers, where he was appointed a partner in 1987, and headed the financial institutions division between 1975 and 2003 and the audit division from 2003 and until he left the firm in 2007. He has subsequently served as a director for various companies linked to the Deposit Guarantee Scheme.

Mr. José Luis del Valle Doblado

Graduated in Mining Engineering at Madrid's Universidad Politécnica and in Nuclear Engineering at Massachusetts Institute of Technology (MIT), and holds an MBA from Harvard.

He amassed approximately 35 years of experience at Banco Central Hispanoamericano, Santander Central Hispano, where he was involved in the merger between the two banks. He has also occupied a number of posts in Iberdrola, where he was CEO of Scottish Power, having been appointed director of strategy and development in 2002. In 2014, he was appointed non-executive chairman of GES and Lar España, and serves as an independent director of Ocaso Seguros.

Mr. Manuel Castro Aladro

Graduated in Business Administration at Universidad Pontificia de Comillas (ICADE), and holds an International Executive MBA from the University of Chicago.

He began his career at Arthur Andersen and, in 1992, he entered the banking sector. In 1998, he joined BBVA, where he occupied various posts linked to business development, until 2009, when he was appointed group risk director, a post in which he remained until 2015. Since 2015, he has provided independent consultancy services to banks and investment funds on issues linked to risk management and investment.

Mr. Daniel Alaminos Echarri

Graduated in Law, specialising in Business Law, at Universidad San Pablo CEU. A State Attorney since 1996, Daniel Alaminos is Secretary General and Secretary to the Board of Directors of Abengoa.

Daniel has undertaken various posts as director of the Legal Department of Spain's State-Owned Industrial Holding Company (SEPI). Before joining Abengoa in 2014, he was a partner in the Capital Market division of Ramón y Cajal Attorneys. He has also taken part in a number of restructuring processes at savings banks, as well as capital increases, restructuring operations linked to major real estate and industrial groups, and consultancy on a range of matters, most notably financial, technological and industrial.

2.2. Chairman and Secretary

The Audit Committee will initially choose its chairman from among those of its members who are non-executive directors.

The Secretary to the Board of Directors will serve as Secretary to the Audit Committee.

2.3. Functions

In accordance with the provisions of its Internal Regulations and the regulations to which it is subject, specifically Spain's Law 44/2002 on measures to reform the financial system, the following are duties and competencies of the Audit Committee:

- › Report on the annual and interim (quarterly and half-yearly) financial statements, which must be submitted to regulatory or market supervisory bodies. Report on the functioning of the internal control systems, monitoring control and compliance through internal audit and, where applicable, on the accounting criteria used.
- › Report to the Board of Directors on any changes in the accounting criteria, and on-balance sheet and off-balance sheet risks.
- › Report to the General Shareholders' Meeting on matters posed by shareholders within the scope of its competencies.
- › Propose the appointment of external auditors to the Board of Directors, for approval at the General Shareholders' Meeting.
- › Supervise internal audit services. The Committee will have unfettered access to the internal audit and will report on the selection, appointment, renewal, removal and remuneration of the internal audit director, as well as on the budget of that department.
- › Be apprised of the company's financial reporting and control systems.
- › Liaise with external auditors to receive information on any matters that might jeopardise the latter's independence and on any other matters linked to the accounts auditing process.
- › Invite such directors as it deems appropriate to attend the Committee meetings to report, to the extent agreed by the Audit Committee itself.
- › Prepare an annual report on the Audit Committee's activities, which must be published along with the annual financial statements for the year.

3. Activities in 2016

3.1. Meetings held

In 2016, the Audit Committee held seven meetings, which were attended by all of its members. The Committee issued the relevant reports for approval by the Board of Directors concerning the financial disclosures to regulatory bodies (Spanish Securities Market Commission - CNMV).

Meeting dates and main agenda items:

Madrid, 25 January 2016

- › Approval of the response to the CNMV request.
- › Information on related-party transactions completed/planned for the coming months.

Madrid, 28 February 2016

- › Approval of the half-yearly report for 2015 for presentation to the CNMV.
- › Measurement and analysis of the impact of the loss of control over subsidiary Atlántica Yield on the financial statements.

Madrid, 30 March 2016

- › Preparation of the annual financial statements of Abengoa S.A and its consolidated group for 2015.
- › Report on the Activities of the Audit Committee in 2015.
- › Summary report on the SOX internal control assessment.
- › Compliance with the 2015 Internal Audit Plan.
- › Presentation of the 2016 Internal Audit Plan.
- › Oversight of the external audit and consultancy fees in 2015.
- › Information on the complaints channelling policy.

Madrid, 18 April 2016

- › Presentation by the external auditor (Deloitte) on its Audit Report.

Madrid, 12 May 2016

- › Financial information for the first quarter of 2016.
- › Ratification of Deloitte, S.L. as the auditor of the company's individual and consolidated financial statements.
- › Information on related-party transactions completed/planned for the coming months.
- › Monitoring of compliance with the 2016 Audit Plan.

Madrid, 25 May 2016

- › Approval of the 2015 Annual Report on Corporate Social Responsibility.

Madrid, 3 August 2016

- › Termination of the parent support agreement and the deed signed with Atlántica Yield.

Madrid, 29 September 2016

- › Approval of Financial Statements corresponding to first six months of 2016.
- › Information on complaint channeling policy.

Madrid, 10 October 2016

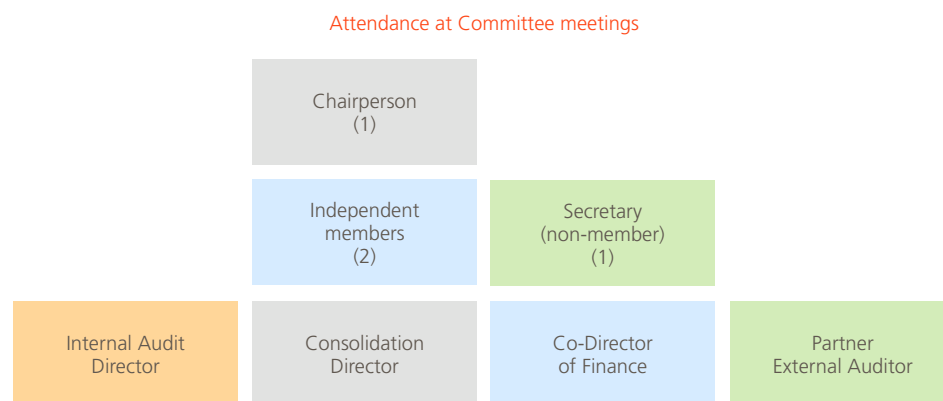
- › Proposal to contribute essential assets to newly incorporated companies fully owned by Abengoa.
- › Proposal to merge the two classes of shares.

Madrid, 14 November 2016

- › Approval of Financial Statements corresponding to third quarter 2016.

Madrid, 19 December 2016

- › Presentation by the Group's auditor, on the following topics: i) main audit risks identified in 2016, and potential impact on the financial statements at 31 December 2016, ii) focus and scope of the audit work on the annual financial statements, iii) Audit strategy based on a control-focused approach, iv) Proposed preparation of a report on ICFR.
- › Appointment of Rocío Rodríguez Fernández as Internal Audit Director.



3.2. The main areas of activity of the Audit Committee

In compliance with its primary function of supporting the Board of Directors, the main issues analysed by the Audit Committee, of which its principle areas of supervision comprise, can be classed into four categories of competencies:

1. External audit and financial reporting

- › Appointment and remuneration of the auditor
- › Scope of work
- › Independence requirement and incompatibilities
- › Material aspects of the audit
- › Review of the external auditor's work
- › Periodic disclosures to the regulator (CNMV)
- › Adaptation of accounting policies and criteria
- › Other requirements

2. Internal Audit

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

3. Risks and internal control

- › Analysis of the main risk areas
- › Efficiency of the internal control systems in place
- › Fraud risk

4. Corporate governance

- › Maintenance and measurement of the effectiveness of control bodies
- › Financial reporting and communication
- › Actions in regard to corporate social responsibility
- › Compliance with ethical rules and issues
- › Conflicts of interest
- › Operations
- › Supervision of the complaints channelling policy

4. Tasks and Responsibilities

4.1. External audit and financial reporting

The table below outlines the work carried out by the Audit Committee in relation to the external audit and financial reporting:

Monitoring of services

- › Review of the services received from the external auditor, audit team, services provided and fees.
- › Study of audit proposals, services/strategies approach, contract terms and fees.
- › Review of the auditor's independence and experience, including relations with the auditor and performance evaluation.

Planning of the external audit

- › Understanding of the external audit plan.
- › Understanding of the expectations regarding the auditor: type of service, time lines, information requirements and deliverables.
- › Examination of the experience of the audit teams.
- › Consideration of the main risk areas to be tackled during the audit.

Good governance practices	Financial reporting
<ul style="list-style-type: none"> › Be aware of the difficulties encountered in the audit process, restrictions on access to information. › Be informed regarding any deficiencies in the internal control, as well as fraud or unlawful acts. › Update on issues affecting the independence of the external auditor, including rotation plans for the main auditor. 	<ul style="list-style-type: none"> › Review of the audited financial statements. › Be informed of the key findings of the audit, the significant accounting policies, audit judgements and the quality of the financial reporting. › Discussion with Management of any incidents. › Separate meetings with the external auditor.

The auditor of the individual and consolidated financial statements in the year is Deloitte, S.L, which is also the Group's main auditor.

In 2012, the Board of Directors and General Shareholders' Meeting approved the appointment of Deloitte as auditor of the individual annual financial statements of Abengoa, S.A. and the consolidated annual financial statements of Abengoa and its subsidiaries for the year ended 31 December 2012 and the following two years. On 29 March 2015, at the General Shareholders' Meeting, Deloitte was renewed as the external auditor of the Company and the consolidated group for the 2015 financial year (1 year), after completion of the initial mandate. This appointment was endorsed on 12 May 2016 by the Audit Committee, governing bodies and the General Shareholders' Meetings of the relevant Group companies.

Other audit firms also contributed to the audit, especially at smaller companies both in Spain and abroad, whose scope within the Group as a whole is not significant.

The duties of the Audit Committee include ensuring the independence of the external auditor, proposing its appointment or renewal to the Board of Directors, and approving its fees.

Audit work in reference to internal control of financial reporting (ICFR) was assigned in accordance with the "integrated audit" criterion, in which the firm issuing the opinion on the financial statements must be the same firm that evaluates the internal control thereof.

It is Abengoa's policy for all the Group's companies to be subject to an annual external audit, even when not so obliged by law.

As a result of the restructuring process, and in particular the filings in the United States (Chapter 11, Chapter 15) and Brazil (Judicial Recovery), the scope of the companies audited in 2016 was reduced both in Spain and abroad.

The global amount and breakdown of fees agreed with external auditors for the 2016 audit, including the review of periodic disclosures, as well as the ICFR audit, are shown in the table below:

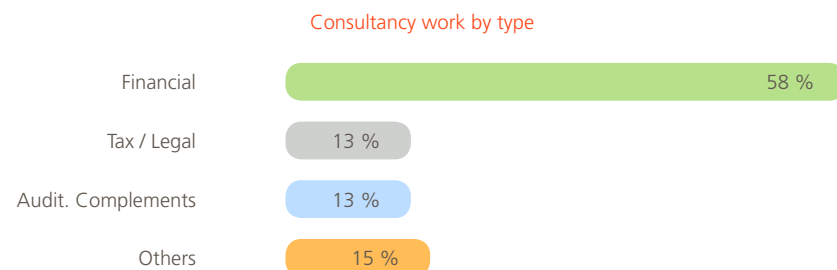
Region	Firm	Fees (€)	Group
Spain	Deloitte	2,793,648	41
	PwC	0	–
	Other firms	39,905	6
Foreign	Deloitte	746,227	78
	PwC	28,971	2
	Other firms	854,113	34
Total		4,462,865	161

When it comes to commissioning work other than financial auditing from any of the "Big Four" audit firms, the company has a preliminary verification process to detect any potential incompatibilities in accordance with the standards of Spain's Accounting and Auditing Institute (ICAC).

The table below shows the amount of fees contracted to the big four audit firms for work other than financial auditing in 2015:

Firm	Fees (€)
Deloitte	2,211,106
PwC	232,312
KPMG	6,712,572
Ernst & Young	147,612
Total	9,303,602

The breakdown of consultancy fees by service area for 2015 is as follows:



The Audit Committee is also in charge of overseeing the results of the work of external auditors. In this connection, it is informed of their findings and of any issues detected in their reviews.

The external auditor regularly attends meetings of the Audit Committee, to report on matters within its sphere of competencies, which are broadly as follows:

- › Review of the financial statements of the consolidated Group and its companies, and issuance of an audit opinion in this regard.
- › Evaluation of the internal control system and issuance of an audit opinion under ICFR standards.
- › Topics of particular interest such as certain specific matters or transactions calling for its opinion.
- › Independent verification reports conducted by external auditors.

In 2016, the external auditors issued two reports, which form an integral part of the Annual Report:

- › The Audit Report on the Group's consolidated financial statements, in accordance with current requirements.
- › The Audit Report on compliance with internal control under ICFR standards.

4.2. Internal Audit

The duties of the Audit Committee include "supervision of the internal audit services" and "knowledge of the financial reporting process and the internal control systems and risks relating to the company".

To oversee the sufficiency, suitability and efficient functioning of the internal control and risk management systems, the Committee has been systemically informed in 2016 by the head of internal audit, concerning:

- › The internal audit plan and the degree of compliance therewith: Progress and conclusions from the internal audit work conducted, which basically comprises auditing of the financial statements, internal control audits, audits of the common management systems, reviews of critical projects, reviews of specific areas and others.
- › The degree of implementation of recommendations issued.
- › A description of the main areas reviewed and the key findings, including risks that have been audited and sufficiently mitigated.
- › Other more detailed explanations requested by the Audit Committee.

The Audit Committee has constantly monitored the work by the internal audit department during 2016. The work not envisaged in the plan refers mainly to support provided to the company throughout the restructuring process, and the supervision and general review of projects, so that the general reviews of the companies in 2016 were afforded less specific weighting in the audit plan executed.

Likewise, during the year work continued on updating and improving the design of internal control under the COSO framework, preparing the general frameworks and guidelines on the company's risk management, internal control and fraud detection aimed at improving corporate governance. In addition, fraud prevention and detection work was carried out at the organisations, in order to reduce the impact thereof.

The internal audit function at Abengoa

Internal audit was created as a global and independent function, accountable to the Audit Committee and the Board of Directors, with the main objective of supervising Abengoa's internal control and most significant risk management systems.

Structure and team

Abengoa's internal audit function is structured around six functional areas:

- 1) Internal controls
- 2) Financial audit
- 3) Project audit
- 4) Fraud prevention audit
- 5) Compliance and corporate governance audit
- 6) Systems audit

Common management systems

The main objectives of the Audit Committee with regard to internal control of financial reporting are:

- › To determine the potential risk of a material inaccuracy in the financial reporting, triggered by fraud or potential fraud risk factors.
- › To analyse the procedures in place to assess the efficacy of internal control in relation to financial reporting.
- › To gauge the efficacy of internal control on the processes affecting Abengoa and its business groups.
- › To identify the material deficiencies and weaknesses in internal control in relation to financial reporting and the capacity to respond.
- › To supervise and coordinate any significant changes to internal controls linked to quarterly financial reporting.
- › To develop quarterly processes for closing the financial statements and identify differences with respect to those implemented at year-end.
- › To establish plans and monitor the actions implemented to address and correct weaknesses found through audits.
- › To implement measures to identify and correct potential weaknesses in internal controls relating to financial reporting.
- › To analyse procedures, activities and controls to ensure the reliability of financial reporting and to prevent fraud.

Internal control model

Abengoa's internal control structure is based on the latest edition of the integrated internal control framework released by COSO (Committee of Sponsoring Organizations of the Treadway Commission).

According to this framework, organisations must:

- › Devise annual goals aimed at the efficiency and efficacy of operations, the reliability of financial reporting, compliance with the law and safeguarding their resources;
- › Identify and evaluate risks that jeopardise the achievement of these goals;
- › Deploy control activities to minimise the impact of these risks; and
- › Activate supervision systems to assess the quality of this process.

All of the above, on the basis of an efficient control environment nurtured with an effective system reporting and communication.

The new framework broadens the risk outlook to include negative or positive events, threats or opportunities; establishing a tolerance level; and handling these events through risk portfolios.

In February 2010, the CNMV published the document "Internal control of financial reporting at listed companies" (ICFR), which stipulates two additional legal obligations for listed companies from 2011 onwards:

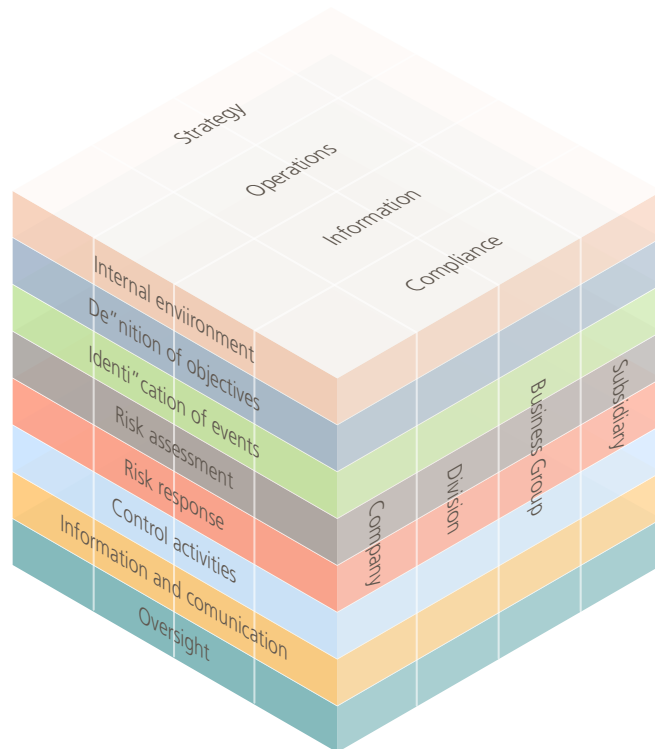
- › The Audit Committee will supervise financial reporting and the efficacy of the company's internal control and risk management systems;
- › Companies must disclose to the market their internal control systems on financial reporting (ICFR) through the Annual Report on Corporate Governance (ARCG).

The CNMV document is based on the COSO internal control framework, and includes 87 recommended practices structured into five component areas:

- › Internal control environment
- › Evaluation of financial reporting risks
- › Control activities
- › Reporting and Communication, and
- › Monitoring

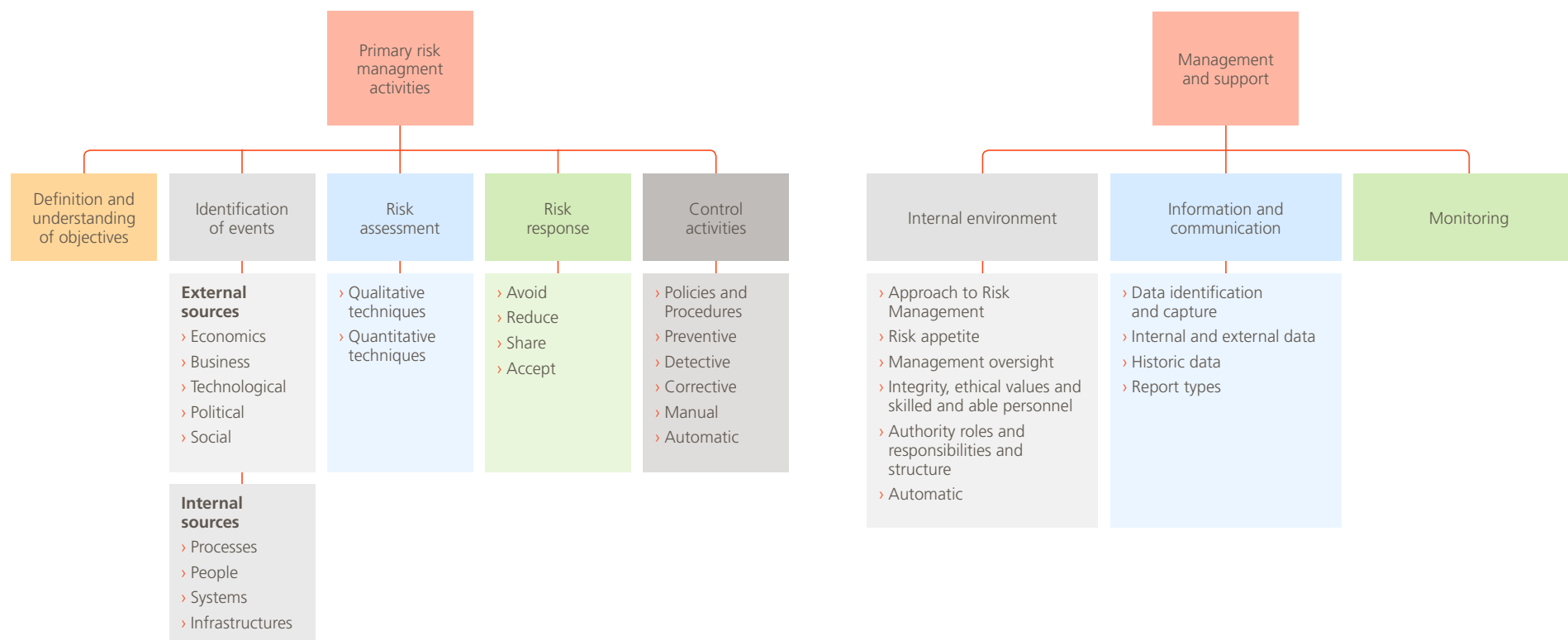
Abengoa voluntarily submits its internal control systems to external evaluation, with the issuance of an audit opinion in accordance with CNMV standards (ICFR).

On a voluntary basis from 2007 and a mandatory basis from 2014 to 2015, Abengoa submitted its internal control systems to external evaluation, with the issuance of an audit opinion in accordance with PCAOB standards and compliance audit standards under section 404 of the Sarbanes-Oxley Act (SOX). As a result, Abengoa has been fully compliant with the benchmark indicators stipulated in the CNMV's ICFR document for six years.



Risk management at Abengoa

Abengoa is aware of the importance of managing its risk so as to adequately plan its strategy and achieve the defined business goals.



Abengoa's risk management system can be depicted schematically as follows:



The risk management process at Abengoa is a continuous cycle underpinned by five key phases, as shown in the chart:

- > Identify
- > Evaluate
- > Respond
- > Monitor
- > Report

In each phase, coherent and periodic communication is vital to achieve good results. Because this is a continuous cycle, there must be permanent feedback in order to continuously improve the risk management system. These processes are aimed at all the company's risks.

Abengoa manages its risks through the following model, described in the company's risk management manual, which aims to pinpoint a business's potential risks:

Strategic risks		
Governance	Strategic R&D projects	Mergers acquisitions & disinvestments
Resource planning and assignment	Market dynamics	Communication & investor relations
Operational risks		
Sales	Human resources	Thereats or disasters
Supply chain	Tangible assets	Information technologies
Financial risks		
Markets	Accounting & reporting	Capital structure
Liquidity & credit	Taxation	
Regulatory risks		
Codes of ethics and conduct	Legislation	Regulator

The criteria for handling and responding to risks set forth in the common risk management systems are mandatory for all employees.

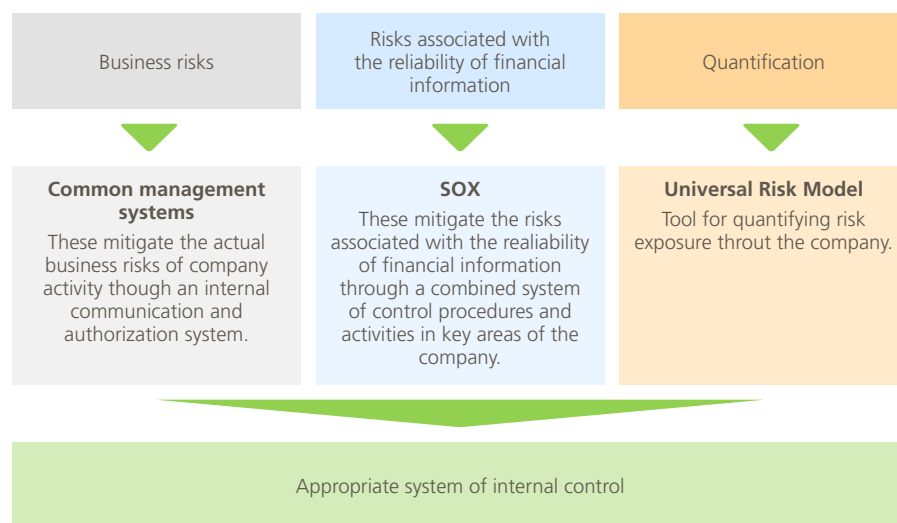
The responses designed and included in the various elements of Abengoa's risk management system are aimed at one of the following risk management scenarios:

- > Elimination: The risk is eliminated entirely.
- > Reduction and control: The aim is to reduce risk as much as possible by using strategic or security measures (supplier diversification, quality systems, maintenance, prevention, etc.).

- › Transfer to third parties: The idea is to transfer risk to a third party, so that Abengoa is no longer liable for that risk, whether through an insurer or another party (supplier, subcontractor).
- › Financial provision: If there is no other way to control the risk, it is assumed.

4.3. Risk and Internal Control

Abengoa's risk model comprises three elements.



These elements constitute an integrated system to enable adequate risk management and controls in all echelons of the organisation.

a) Common management systems

The common management systems represent the rules of Abengoa and all its business groups and their method for evaluating and controlling risks and represent a common culture for risk management at Abengoa, pooling the knowledge accrued and setting criteria and standards for action.

The common management systems include specific procedures to cover any action that might lead to risk for the organisation, whether financial or otherwise. Moreover, they are available to all employees electronically regardless of their location and post in the company.

The functional heads of each area must verify and certify compliance with these procedures. This annual certification is issued and presented to the Audit Committee in January of the following year.

The common management systems cover the entire organisation over three levels:

- › All business groups and areas of activity;
- › All echelons of responsibility;
- › All kinds of operations.

The common management systems represent a common culture for Abengoa's various businesses and comprise eleven rules that define how to manage each of the potential risks included in Abengoa's risk model. These systems serve to identify risks and appropriate coverages and to define control mechanisms.

In the last few years, common management systems have evolved to adapt to new situations and environments in which Abengoa operates, with a particular focus on strengthening risk identification, establishing coverages and deploying control activities.

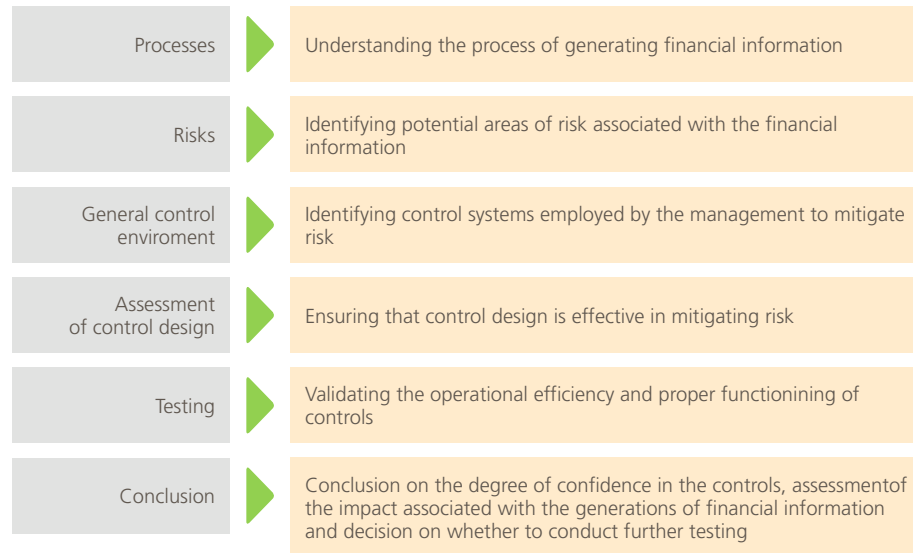
b) Mandatory internal control procedures

Mandatory procedures are used to mitigate risks relating to the reliability of financial reporting, through a combined system of control procedures and activities in the company's key areas.

An adequate internal control system is comprised of three tools:

- › A description of the relevant processes at the company that might have a potential impact on the financial information prepared. In this connection, 55 management processes have been defined, grouped into corporate cycles and cycles that are common to the business groups.
- › A series of flow diagrams provide a graphic depiction of the processes.
- › An inventory of the control activities in each process ensures that the control goals are achieved.

Our work comprises the following aspects:



Abengoa sees this legal requirement as an opportunity for improvement and, far from settling for the precepts strictly provided by law, we have sought to develop our internal control structures, control procedures and evaluation procedures as much as possible.

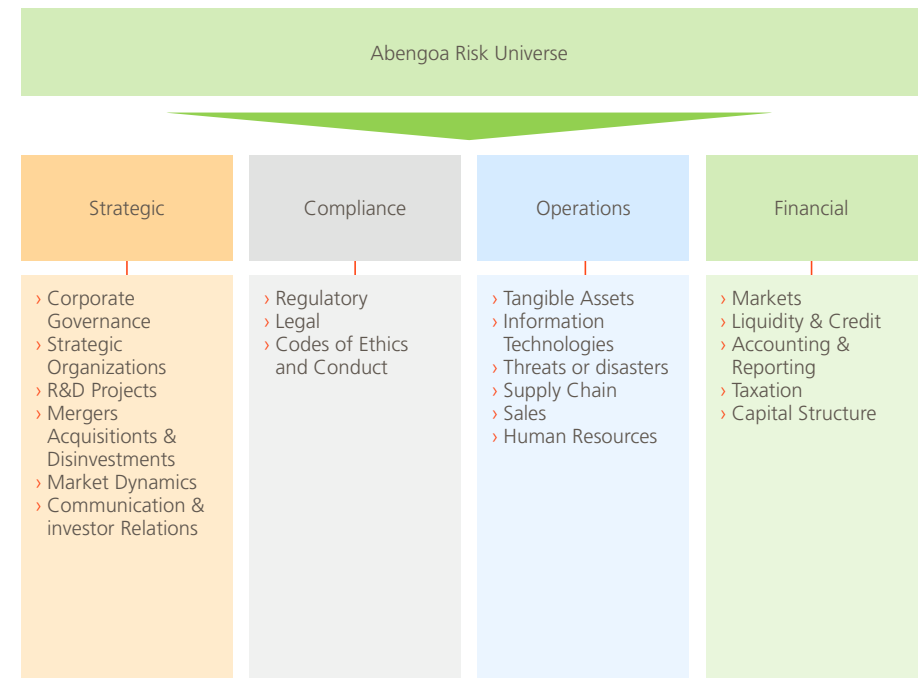
These have focused on compliance with internal control under PCAOB (Public Company Accounting Oversight Board) standards, in accordance with the provisions of section 404 of the Sarbanes-Oxley Act (SOX), mandatory for the company until 2015. Under COSO, Abengoa's internal control structure has been redefined using a top-down approach based on risk analysis.

Said risk analysis includes the initial identification of the significant risk areas and the evaluation of the company's controls thereof, starting with those deployed at the highest level – corporate and supervisory controls – and continuing to the operating controls deployed in each process.

c) The universal risk model

Abengoa's Universal Risk Model (URM) is the methodology to identify, understand and assess the risks affecting Abengoa. The goal is to obtain an integrated overview of these risks, so as to design an efficient response system aligned with the company's business goals.

It is configured with 56 risks, belonging to 20 categories. In turn, the latter are grouped into four major areas (financial risk, strategic risk, regulatory risk and operating risk).



All the model's risks are assessed based on two criteria:

- › Probability of occurrence: Frequency with which it can be asserted that a specific cause will trigger an event with a negative impact on Abengoa.
- › Impact on the company: Combination of negative effects on Abengoa's strategic goals.

4.4. Corporate governance and regulatory compliance

Self-assessment

In application of article 16.4.q) of the Rules and Regulations of the Board of Directors, members of the audit and compliance committee conducted their self-assessment at its meeting of 23 February 2015, where it assessed the committee's functioning and the performance of the duties entrusted to it in Abengoa's bylaws and in the Rules and Regulations of the Board.

As a result, the Committee expressed its conviction that it satisfactorily complies with all of its responsibilities, having held a sufficient number of meetings, with agendas that encompass all the areas it is expected to review, and having been offered extensive presentations on the various topics discussed, all within the framework of an open and entirely unrestricted debate.

The company's management constantly updates the professional code of conduct based on the principles of the honesty, integrity and good judgement of employees, executives and directors, as evidenced in the Annual Report on Corporate Governance, which details the structure of administration, the risk control systems, the degree to which recommendations on corporate governance are implemented, and the reporting and disclosure instruments in place; and which evidences management's commitment to maintaining an adequate system of internal control and risk management, good corporate governance and ethical conduct by the organisation and its employees.

All divisions, most notably the human resources and internal audit departments, monitor compliance of the code, and notify management of any improper conduct observed – in which connection the appropriate measures are then taken.

Complaints channel

Abengoa's internal control system has various mechanisms and procedures to mitigate the risk of fraud.

Accordingly, based on the guidelines set forth in section 301 of the Sarbanes-Oxley Act, the Audit Committee agreed to establish certain procedures for:

- › The receipt, safe-keeping and processing of complaints received by the company in relation to the accounting, internal controls or audit materials.
- › The confidential and anonymous submission by company employees of information in good faith regarding doubtful or questionable accounting or auditing practices.

This affords Abengoa a dual mechanism for receiving complaints:

- › An internal whistle-blowing channel, available to all employees for the notification of any alleged irregularity in accounting, auditing or breaches of the code of conduct.
- › An external channel available to any third party to report alleged irregularities or acts of fraud or in breach of Abengoa's code of conduct, through the company's website (www.abengoa.com).

The policy for channelling complaints ensures the absence of reprisals against persons reporting issues in good faith, who may log their reports confidentially. Furthermore, both the internal whistle-blowing channel and the external complaints channel accept anonymous reports.

This policy applies to any employee of the Group, consultants, suppliers or third parties with a direct relationship and legitimate commercial or professional interest.

Each complaint is investigated by the internal audit team. Within the internal audit department, Abengoa has a specific unit devoted to investigating complaints received through the various channels and implementing measures to prevent fraud. Moreover, in cases in which technical complexity so advises, independent experts are on hand to ensure at all times that there is sufficient capacity to conduct an adequate investigation and guarantee a sufficient degree of objectiveness in performing the work.

US Foreign Corrupt Practices Act (FCPA)

The honesty, integrity and good judgement of the employees, executives and directors of Abengoa is fundamental to the company's reputation and success.

In keeping with these principles, Abengoa joined the United Nations Global Compact in 2002, and subscribes to each of the ten principles contained therein, and strives to fully integrate them in the strategy and policies that govern the company's day-to-day business. With regard to principle 10: "Businesses should work against corruption in all its forms, including extortion and bribery", Abengoa deploys various procedures designed to prevent any kind of corruption from taking place at the company.

In the fight against extortion, fraud and bribery, Abengoa submits to the provisions of the US Foreign Corrupt Practices Act (FCPA).

Under the FCPA, it is unlawful for companies and their officers, directors, employees and agents to offer payment, promise to pay, or authorization of the payment of any money, or offer, gift, promise to give, or authorization of the giving of anything of value to any foreign official, foreign political party or official thereof, in order to assist such issuer in obtaining or retaining business for or with, or directing business to, any person. In accordance with the FCPA, indirect payments to foreign officials generate legal liability, as do direct payments. The company or its officials or employees may be held liable for payments made by trade partners, such as sales representatives, advisors, agents, contractors, sub-contractors or others, in those cases in which the company transfers money or a thing of value to a trade partner, while knowing that all or a portion of such money or thing of value will be offered, given, or promised, directly or indirectly, to any foreign official, to make an unlawful payment to a foreign official (this provision applies even to those cases in which the trade partner is not subject to the FCPA). Liability may also exist if the company is aware of events that suggest a "high probability" that the trade partner will deliver all or part of the value received to a foreign official for corrupt purposes. As a result, Abengoa must act with caution in its relationships with trade partners and have some guarantee that the latter will comply with all the applicable anti-corruption laws.

The US Foreign Corrupt Practices Act is supplementary to the requirements of section 404 of the Sarbanes Oxley Act (SOX), and applies to all companies with businesses or economic interests in the United States. It applies to all actions conducted by trade partners on Abengoa's behalf, and all its officials, directors, and full- and part-time employees. This policy also applies to all subsidiaries controlled by Abengoa.

All trade partners representing Abengoa (including advisors, agents, sales representatives, distributors and independent contractors) and interacting with foreign officials on Abengoa's behalf must comply with all the relevant aspects of this policy.

Conclusions

Compliance, composition and attendance

In 2016, the Audit Committee adequately discharged the responsibilities assigned to it pursuant to the bylaws and Rules and Regulations of the Board of Directors.

In keeping with best practices in corporate governance and, in particular, with the requirements established under regulations applicable through 6 April 2016 to companies listed in the NASDAQ (Rule 10A-3(b) of the Exchange Act), the Audit Committee has adapted its composition and now comprises solely independent directors as defined by said Rule, following the latest appointments agreed at the Extraordinary General Shareholders' Meeting of 22 November 2016.

All members of the Committee attended the meetings held in 2016.

Functions and activities

The Committee has been in constant contact with the compliance director, the head of internal audit, the head of reporting, the joint chief financial officer and the head of investor relations, and with the other divisions of Abengoa, as well as the external auditor, and has verified the quality and transparency of the Group's periodic financial reporting and the efficacy of its internal control systems.

The committee's monitoring of the external auditor's work, review of its findings and evaluation of its independence were compliant with the established policies. The external auditor's positive conclusions on the financial statements of the Group ratify the quality of the aforementioned financial reporting and internal control systems.

Finally, the Committee has endorsed the internal processes in place to ensure proper compliance with the applicable legislation and the Group's internal policies, rules and procedures.

The Committee expresses its satisfaction with the work performed by the internal audit services in its mission to supervise the compliance with and efficacy and efficiency of the internal control systems, as well as the reliability and quality of the Group's financial reporting.

As an international company, listed in the US securities market (NASDAQ), and conducting a significant percentage of its activities in international markets, Abengoa uses standards and best practice guidelines on transparency and good corporate governance as a benchmark. Accordingly, Abengoa's Annual Report includes the following independent reports:

- › The Audit Report on the Group's consolidated financial statements, in accordance with current requirements.
- › The Audit Report on compliance with internal control under ICFR standards.