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.