



04. Governance, transparency, risk management and compliance



Corporate governance

Having governance bodies that generate trust in stakeholders and ensure an adequate strategy and the **dissemination of a culture of integrity** is essential for companies to progress, especially in the particular case of Abengoa, after the financial restructuring process that it has gone through. This will allow the company to reposition itself as one of the main players in the markets in which it operates.

Therefore, **Abengoa's corporate governance is focused, mainly, on securing the corporate interest, a body that generates sustainable and responsible value for stakeholders in the long term.**

In line with the foregoing, the organisation seeks to ensure that its **corporate governance is dominated by the principles of efficiency and transparency** established in the main recommendations and existing standards, such as the International Corporate Governance Network (ICGN) or the Good Governance Code of Listed Companies published by the CNMV.

Following the **approval in 2016 of a corporate governance policy** that reflects these principles and objectives, and **within which the CSR policy**, as set out in recommendation 53, is framed, during 2017 Abengoa has continued working to continue to adapt these recommendations in its system of governance. Thus, in 2017 the Company has reported compliance with 50 of the 56 recommendations of the Code of Good Governance of Listed Companies that apply to it.

Accordingly, applying these guidelines in decision-making not only favours proper management of the company's operations, but also improves its bottom line and contributes to sustainable development wherever the company performs its activity.

Another requirement for good governance is to ensure regulatory compliance¹, which involves applying due diligence to ensure that the company complies with all regulatory and legal requirements that apply in the countries in which it operates.

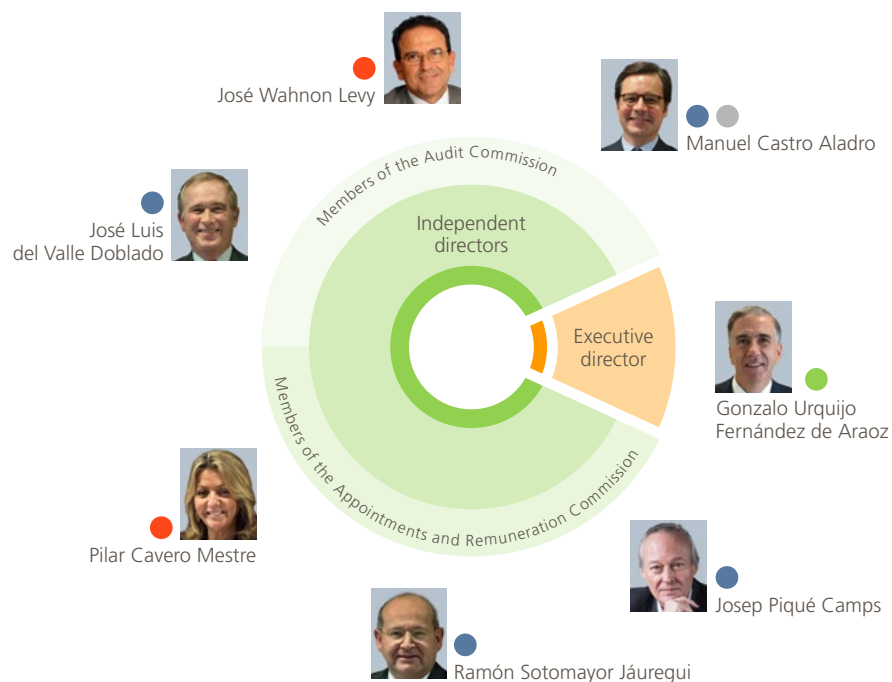
Note 1 For further information, please refer to the [Regulatory Compliance chapter](#)

Governing bodies

For the purpose of disclosing its corporate governance performance to its stakeholders, Abengoa has published the Corporate Governance Report every year since 2009.

At the date of this report, the [Board of Directors](#) comprises seven directors: six men and one woman. Of these, six are independent and one executive. The chairman, Gonzalo Urquijo Fernández de Aroz, sits on the Board of Directors of other listed companies, Vocento, S. A., Gestamp Automoción, S.A. and Atlantica Yield, plc. Likewise, José Luis del Valle Doblado sits on the Board of Directors of Lar España Real Estate SOCIMI, S.A. and Verditek plc; Josep Piqué Camps is a director of Aena, S.A. and Pilar Cavero Mestre is a director of Merlin Properties. In relation to the foregoing, in compliance with the recommendations of good corporate governance, the Regulations of the Board of Directors of Abengoa limit the positions that directors may hold in other listed companies, in such a way as to ensure the availability of directors and the proper functioning of the sessions of the Board and its committees.

102-18, 405-1



In accordance with good governance practices, the strengthening and efficiency in the development of the board's duties requires specialised commissions. Accordingly, the Abengoa Board of Directors is assisted by two commissions. Appointments and Remuneration Commission and the Audit Commission Taking into account the current structure of the Board of Directors and the needs that the company has following the restructuring process, two commissions are considered sufficient. However, in the future the company may assess the need to create additional commissions that facilitate the Board's work.

The current composition of the Board of Directors and its Committees is as follows:

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

The CVs of all members of the governing bodies of Abengoa are available on the [company's website](#). 102-22, 102-23

- Executive chairman
- Chairman of commissions
- Member
- Independent lead director

Composition of corporate governance

The Appointments and Remuneration Commission and the Audit Commission are composed exclusively of independent directors and are assisted by a secretary who is not a board member.

In 2017, the Board met on 20 occasions, at which it addressed the most significant operational issues and those situations that required management responses. Key amongst these issues are:

- › The **follow-up of the financial restructuring** and recapitalization process that concluded successfully on 31 March 2017.
- › **Monitoring of compliance with the feasibility plan** that was approved within the framework of said restructuring and, very specifically, of the divestments undertaken as part of the plan and the review of the different business units.

The Board also reviews the tasks assigned to the different committees and commissions whose functions depend on the Board. In this regard, **the Board of Directors is responsible for approving**, among other issues, **the company's general strategies and policies** and, more specifically, **the strategic or business plan**, as well as **management targets, the investments and financing policy, the Corporate Social Responsibility policy** and the risk management and control policy, which nevertheless is supervised by the Audit Commission. [102-19, 102-26, 102-27, 102-31](#)

The CSR Management, together with other executives, is responsible for reporting the company's non-financial information to the Executive Committee (which in turn reports to the Board of Directors when appropriate). Senior management members with responsibilities concerning non-financial information hold regular meetings with the Chairman's Office and the Executive Committees to review and analyse all issues concerning corporate, economic and environmental matters, which are subsequently and regularly reported to the Board. [102-20](#)

The Board regulations set out that the principle of equal treatment must apply in relations with shareholders in the same position and be guided by the corporate interests. Accordingly, to create the appropriate mechanisms to be aware of proposals from shareholders related to corporate management, organising informative meetings on the company's progress and opening the channels required for the regular exchange of information with groups of shareholders. In line with the above, in February 2018 the company held an informal meeting with minority shareholders² in order to review the progress of the company after the closure of the financial restructuring and to find out their concerns. The company has a shareholder portal, accessible from the [website](#), through which shareholders can send their enquiries. [102-21, 102-33, 102-34](#)

Note 2 Further information in the [chapter on financial capital](#).

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

The company has an executive chairman who, although he does not have delegation of powers, holds general powers that can be exercised jointly with other attorneys-in-fact of the Company.

Appointments and Remuneration Commission

The Appointments and Remunerations Commission³ was set up in 2003 and is composed exclusively of independent non-executive directors, which confers greater objectiveness in the performance of its duties. **Its main purpose is to advise or inform the Board of Directors with regard to the appointments, re-elections, resignations and remuneration of the Board and of its positions, as well as with regard to the general policy on remunerations and incentives** of its members and of senior management, which is also approved at the General Meeting of Shareholders. [102-34, 102-35, 102-36](#)

By the same token, every year this commission verifies the continuity of the conditions required for designation of a director and the nature or type assigned. It is the body responsible for selecting profiles that best represent the needs of the different stakeholders among professionals from different fields and of renowned national and international prestige. The procedure for selecting them is based on merits and on the intention to cover any vacancy with professional profiles that are not linked to any specific interests. All this in accordance with the provisions of the director selection policy approved by the Board on 30 March 2016.

We should point out that members of the Board of Directors of Abengoa, with the exception of Josep Piqué Camps, who was appointed through co-optation on 13 July 2017, were appointed by the General Meeting of Shareholders on 22 November 2016 and, in compliance with the undertakings assumed within the framework of the restructuring agreement signed on 24 September 2016, were proposed by the Appointments and Remuneration Commission on the basis of the selection and proposal made by the consultancy firm Spencer Stuart.

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

Note 3 Further information on pages 29-30 of the Corporate Governance Report.

This same procedure was followed during 2017 for the selection of the directors appointed to fill the vacancies produced during 2017 (Miguel Antoñanzas Alvear replacing Javier Targhetta Roza and Josep Piqué Camps in substitution of Miguel Antoñanzas Alvear).

In addition, the commission ensures that when new vacancies are filled the selection procedures are not biased by gender, religion, race, etc. This commission is also tasked with assessing the performance of the Board of Directors and of the executive directors, examining and organising the succession of the chairman and of the CEO, reporting the appointments and resignations of senior executives and reporting on gender diversity issues. [102-24](#), [102-28](#)

During 2017, the **main tasks of the Appointments and Remuneration Commission**, which met 12 times, have focused, among other issues:

- › Analysis and recommendation on the **board structure**
- › Metrics and objectives of the 2017 annual **variable remuneration**
- › Analysis and report on the **new remuneration policy** for 2018 to 2020
- › Approval of the long-term **Incentive Plan**
- › **Evaluation of the board** and its commissions
- › Proposal for the **appointment of independent directors**

Audit Commission

The Audit Commission⁴ was set up in 2002 and, in compliance with the requirements set out in the good governance regulations, it comprises non-executive and independent directors, assisted by the Board Secretary, lending it greater objectivity in the performance of its duties. In accordance with the standards of good corporate governance, the Audit Commission is chaired by an independent director who was appointed taking into account their knowledge and experience in accounting and auditing matters. From its independent standpoint, the commission ensures that companies are responsible in their actions, guaranteeing ethical behaviour.

The functions of the Commission and its statutory powers can be summarised as follows: monitoring and resolving conflicts of interest; reporting to the Board on the financial statements of the company; communicating changes in accounting criteria; overseeing the internal audit functions; being aware of the financial reporting process and supervising the internal control systems; and interacting with the auditors to identify issues that could jeopardize its independence. In addition, it is responsible for supervising the risk control system based on the functions of internal auditing and risk management, compliance with the corporate governance rules and the [Corporate Social Responsibility policy](#). [102-25](#), [102-26](#), [102-29](#), [102-30](#), [102-31](#)

In 2017, the Audit Committee met 14 times and has addressed, among other issues, the following:

- › The **process of selection** and subsequent **appointment** of the company's **new auditor** for the 2018-2020 financial years.
- › **The review and positive report** of the various **divestments** carried out including, in particular, the **sale of 25 % of Atlantica Yield**.
- › The **review of financial information**, both annual and intermediate, to be sent to the regulatory bodies.
- › The **supervision of the whistleblowing channels**, as well as **monitoring of the internal audit plan**.
- › Supervision of compliance of the strategic lines established in the CSR policy.

Note 4 Further information on pages 28-29 of the Corporate Governance Report.