



## 04. Governance, transparency, risk management and compliance

- \_ Corporate governance
- \_ Transparency and anti-corruption
- \_ Risk management
- \_ Regulatory compliance



## Corporate governance

### Goals set forth in the 2019-2023 SPCSR

#### Equality



› Ensuring that at least **30 % of the members of the Board of Directors** are women by 2020.

Good corporate governance at Abengoa translates into the **implementation of a series of best practices that govern the relations between the different governing bodies** of the company and its stakeholders, **based on transparent and rigorous management practices**. Likewise, it mainly focuses on securing the corporate interest, as a body that can generate sustainable and responsible value for all stakeholders in the long term.

Abengoa considers that it is essential to create governing bodies that **generate trust in their stakeholders, guarantee the adequate strategy and disseminate a culture of integrity** for the growth and progress of any company, in particular, after Abengoa's financial restructuring processes of the past few years. This will allow the company to reposition itself as one of the key players in the markets in which it operates.

In line with the above, the organisation advocates for a corporate governance based on the principles of efficiency and transparency, established according to the main existing recommendations and standards, such as the International Corporate Governance Network (ICGN) or the Unified Code for Good Governance of listed companies of the CNMV<sup>1</sup>. Steering decision-making processes under these guidelines not only ensures the company's operations are managed more efficiently but also improves its profitability and contributes to sustainable development in the areas in which the company operates.

Note 1 [Unified Code for Good Governance of the Companies Listed in the National Securities Market Commission \(CNMV\)](#): document that formulates the requirements for all listed companies, with the purpose of ensuring such companies abide by the obligation to provide information about the "degree to which the corporate governance recommendations are monitored or, if applicable, an explanation about the reasons for not observing these recommendations" in its Annual Corporate Governance Report.

After the approval of the **corporate governance policy** in 2016 that reflects the company's principles and goals, and which is used to establish the framework for its **CSR policy**, as established in recommendation no. 53, Abengoa has continued to work with the aim of adapting these recommendations to its governance system. Therefore, the company has improved in relation to observing the Good Governance Code of listed companies during 2018, reporting that it has observed 52 of the 56 applicable recommendations in this code. The company observed 50 of these recommendations in 2017.

Another factor associated with good governance lies in **ensuring regulatory compliance**<sup>2</sup>, which involves applying due diligence to guarantee that the company meets all applicable regulatory and legal requirements in the countries in which it operates. In this regard, it is worth highlighting that the company has included direct supervision functions of the regulatory compliance area in the Appointments and Remuneration Committee.

## Corporate Governance Policy

The new corporate governance policy was approved in March 2016 and is governed by the following principles:

- › (i) **Observance of the current regulations**, with the aim of following the best national and international good corporate governance practices and adapting the internal regulations governing Abengoa's actions and its governing bodies and internal control mechanisms to the highest standards in this area, in accordance with the company's actual situation.
- › (ii) **Securing the corporate interest**, understood as making the business profitable and sustainable in the long-run, promoting its continuity and maximising the economic value for Abengoa.
- › (iii) **Transparent management practices**, ensuring that the information disseminated to the market is true and correct at all times.
- › (iv) The **involvement of Abengoa's shareholders**, respecting the principle of equal treatment of all shareholders under the same circumstances, trying to foster its participation in corporate life and establishing mechanisms to guarantee effective and on-going communication with them. In this regard, Abengoa's Board of Directors has approved the communication and shareholder, institutional investor and voting advisor relations policy to establish the bases for all relations between parties and the corresponding communication channels.

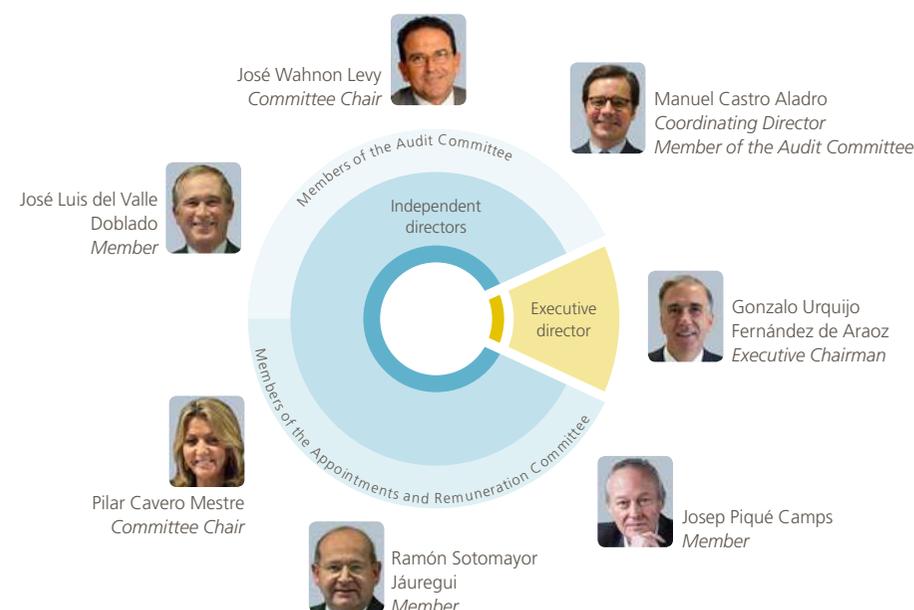
Note 2 For more information, refer to the [Regulatory Compliance](#) chapter.

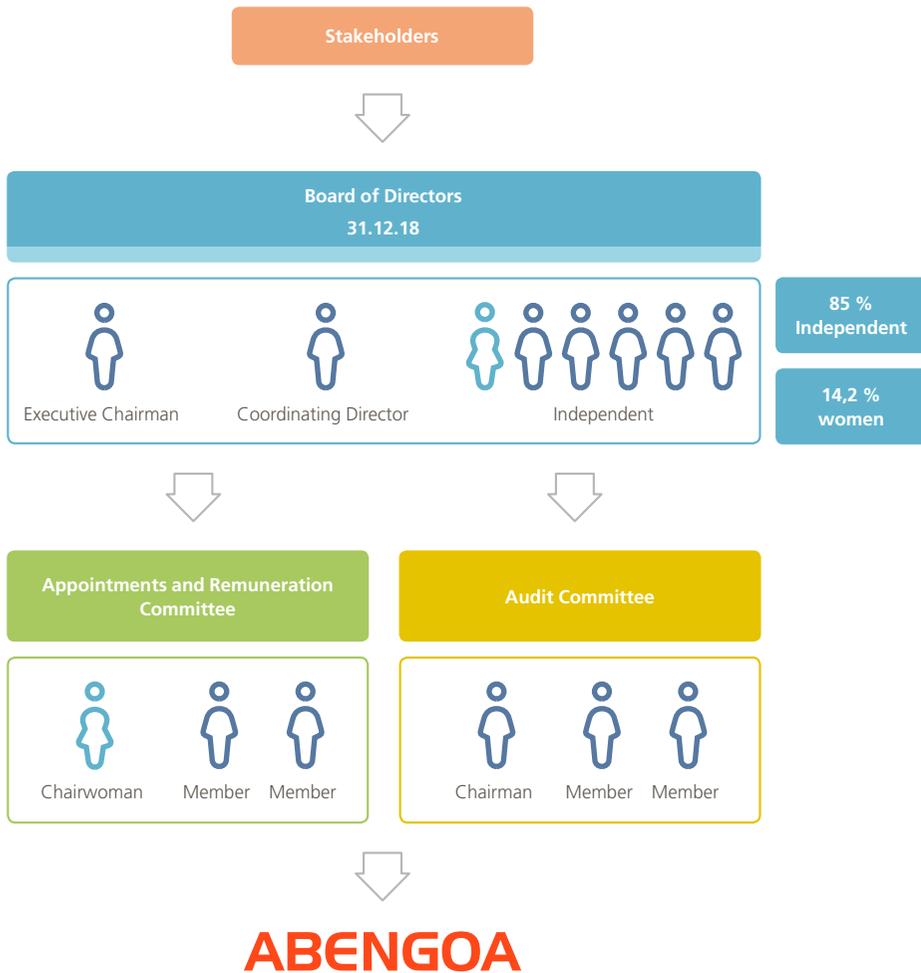
- › (v) The **adaptation of the company's governing body**, its dynamics and organisation, according to the latest corporate governance practices, ensuring it has the optimum structure and configuration to guarantee that it can operate effectively, in accordance with Abengoa's actual situation.

## Governing bodies

As of the date of this report, the **Board of Directors** is made up of seven directors: six men and one woman. Six of these board members are independent and one is an executive member. The chairman, Gonzalo Urquijo Fernández de Aroz, sits on the Board of Directors of other listed companies: Vocento, S.A. and Gestamp Automoción, S.A. Likewise, José Luis del Valle Doblado is a member of the Board of Directors of Lar España Real Estate SOCIMI, S.A.; Josep Piqué Camps was a member of the Board of Directors of Aena, S.A., although he resigned from the post in 2019, Pilar Cavero Mestre sits on the Board of Directors of Merlin Properties and José Wahnnon Levy, from Grupo Día. In relation to the above and in observance of the good corporate governance recommendations, Abengoa's Board of Directors Regulations limit the number of posts its board members can hold in other listed companies, guaranteeing the availability of board members and the smooth running of the sessions of the Board and its committees.

102-18, 405-1





The Board of Directors is responsible for governing Abengoa's activities. In accordance with the good governance practices, **specialised committees** are required to strengthen and guarantee the efficiency of the Board of Directors' role. Accordingly, Abengoa's Board of Directors is assisted by two committees: **Appointments and Remuneration Committee and Audit Committee**. Taking into account the current structure of the Board of Directors and the company's current needs following the restructuring process, the company considers that these two committees suffice. However, the company could assess the future need to create additional committees that assist the Board of Directors in its duties.

Currently, the Board of Directors and its committees are structured as followed:

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

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

## Corporate Governance Structure

The **Appointments and Remuneration Committee and the Audit Committee** are solely made up of independent members and they are assisted by a secretary who is not a member.

The Board of Directors met 18 times during 2018, in which the most important operational matters and the situations that required a response from management were addressed. The most important include:

- › The **divestment in tangible assets** agreed as part of the financial restructuring process completed on 31 March 2017 and, in particular, the sale of the stake in Atlantica Yield plc to Algonquin Power & Utilities Corp., a divestiture completed in November 2018.
- › **Monitoring the construction of the A3T project**, the monetisation of which had been established as part of the financial restructuring process completed in 2017.
- › The **negotiations with creditors** that successfully appealed the 2016 restructuring agreement.
- › **Monitoring of the second financial restructuring process** started in 2018 and successfully completed on 26 April 2019.
- › **Monitoring of the different business units**, approval of the most important bids and, in general, monitoring the business progress.

The Board of Directors also reviews the tasks assigned to the different committees and commissions reporting to it. In this regard, the **Board of Directors is responsible for approving** the company's general **policies and strategies**, among others and, in particular, the **strategic or business plan**, as well as the **management goals**, the **investment and financing policy**, the **corporate social responsibility policy** and the **risk control and management policy**, the latter being supervised by the Audit Committee. *102-19, 102-26, 102-27, 102-31*

**The Board of Directors approved the Strategic Plan of CSR (SPCSR) for 2019-2023 in February 2019.** The SPCSR defines the company's framework and guidelines with a series of actions that can integrate the expectations of stakeholders into the organisation's strategy, identifying concrete goals and designing specific actions that help develop a responsible business fabric to create a sustainable and global development model.

The CSR management is responsible for presenting the Non-Financial Information Statement and Integrated Report to the Executive Committee and Board of Directors. These must include the main activities and impacts of the company, describing its strategy, its business model, its goals and challenges, and the performance indicators, together with the Responsible Management Balance Sheet and the key indicators of non-financial results. Likewise, senior management members responsible for non-financial information will hold regular meetings with the chairman and the Executive Committee to review and analyse all aspects associated with

social, economic and environmental matters, which will be regularly reported to the Board of Directors. *102-20*

The **Board Regulations** establish that the principle of equal treatment must be applied to its relations with the company's shareholders in the same position and guided by corporate interests. As a consequence, it must create the mechanisms required to learn about shareholder proposals associated with corporate management, arrange informative meetings about the company's activities and progress and open the channels required for the on-going exchange of information with its groups of shareholders<sup>3</sup>.

In line with the above, the company and, in particular, its CFO, held different meetings in 2018 with minority shareholders, with the purpose of discussing the company's progress and the new financial restructuring process launched in September 2018, as well as to learn about their concerns. In addition, the company's Investor Relations department focuses on leading and supervising all communications with shareholders and investors, providing a shareholder assistance portal, which can be accessed from the website or by phone, and through which shareholders can communicate their questions and doubts. *102-21, 102-33, 102-34*

The regulations also determine the need to appoint an independent director to gather and coordinate the concerns of non-executive directors, call for the meeting of the Board of Directors or include new points in the agenda, contact investors and shareholders to learn about their points of view and concerns, specifically about the company's corporate governance approach, and guide the chairman's assessment process, among other matters. Mr Castro Aladro, Abengoa's Coordinating Director, is responsible for these roles.

The company's Executive Chairman has no delegation of authority but holds several and joint powers with other attorneys-in-fact of the Company.

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Note 3 [More information in the Financial Capital chapter.](#)

## Appointments and Remuneration Committee

The Appointments and Remuneration Committee<sup>4</sup> was set up in 2003 and it is exclusively made up of non-executive independent members, making it a more objective body in its role and decisions. Its main purpose is to **provide advice and inform the Board of Directors** about the appointments, re-elections, resignations and remuneration **of the Board and its members, as well as in relation to the general remuneration and incentives policy for its members and the senior management**, which is also approved in the General Meeting of Shareholders. [102-34](#), [102-35](#), [102-36](#)

Likewise, the Committee checks that the conditions for appointing a director and the character or type assigned remain unchanged on an annual basis. This body is responsible for selecting the profiles that best represent the needs of the different stakeholders among professionals specialising in different areas and with a proven national and international track record. These professionals will be selected according to their merits and to cover open positions with professional profiles that are not associated with specific interests. All this in accordance with the provisions of the **director selection policy** approved by the Board on 30 March 2016.

It is worth highlighting that the members of the Board of Directors of Abengoa, except for Josep Piqué Camps, who was appointed through co-optation on 13 June 2017 and subsequently ratified in the General Meeting of Shareholders on 25 June 2018, were appointed by the General Meeting 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 Committee according to the selection and proposals made by the consulting firm Spencer Stuart.

In this regard, Spencer Stuart and the Appointments and Remuneration Committee assessed the capacity and merits of the different candidates and proposed the appointment of the best candidates, according to the characteristics and current circumstances of Abengoa. This same procedure was followed during 2017 to select the board members appointed to fill the vacancies during that year (Miguel Antoñanzas Alvear replacing Javier Targhetta Roza and Josep Piqué Camps replacing Miguel Antoñanzas Alvear).

The **Appointments and Remuneration Committee** explicitly establishes that there is no implicit bias when selecting female directors. This Committee is responsible, among others, for informing the Board of Directors about **gender diversity matters** and for ensuring **compliance with the director selection policy**. Pilar Cavero is the chairwoman of this committee. In addition, the director selection policy establishes that the Board of Directors must be diverse and well-balance.

Another of the responsibilities of this Committee is to assess the performance of the Board of Directors and its executive directors, examining and organising the Chairman and CEO replacement process, reporting appointments and resignations of senior executives and on gender diversity matters. [102-24](#); [102-28](#)

During 2018, the **main responsibilities of the Appointments and Remuneration Committee**, which held eight meetings, focused on the following matters, among others:

- › Assessment of the **operation of the Committee** in 2017.
- › Determining the (non) accrual of **variable remuneration** in 2017.
- › **Definition of the variable remuneration** schemes for 2018, with two components.
- › **Annual remuneration report** and **report** for the General Meeting of Shareholders about the **operation of the Committee**.
- › Review of the **executive succession plan**.
- › Assumption of the **Risk and Regulatory Compliance** supervision responsibilities.
- › Proposal to **ratify Mr Piqué** as a director.
- › Preliminary assessment of the **accrual and payment of variable remuneration for 2018** and of **other variable remuneration schemes** (2019, MIP 2019-2021 and second financial restructuring process of the group's debt).

The **Remuneration Report**<sup>5</sup> includes the details of the average directors and executives remuneration, including variable remuneration, expenses, fixed remuneration, short and long-term variable remuneration, remuneration for members of the Committee and Board of Directors, severance pay and other forms of remuneration. Please refer to the Corporate Governance Report and Annual Remuneration Report for more information.

The average remuneration of senior management is described below:

Average salary 2018	Thousands of euros	
	Men	Women
Management		244.3
Management Committee	179	174

Abengoa's governing bodies include the Executive Committee (senior management) and the Management Committee (made up of the directors of the main business units, countries and corporate functions).

Note 4 [More information on pages 29-30 of the Corporate Governance Report.](#)

Note 5 [Included in Note 33.3 Remuneration and other benefits.](#)

- › Management: Executive Committee/Management Committee: fixed remuneration, variable remuneration and payment in kind.
- › Executive Committee: no breakdown by men and women, since there are no women members.

In 2018, the relationship between the annual salary of the chairman and the average salary of employees, including all regions and contract types, was 82.6<sup>6</sup>. [102-38](#), [102-39](#)

### Audit Committee

The Audit Committee<sup>7</sup> was set up in 2002 and, in compliance with the requirements of the good governance regulations, is made up of non-executive independent members, assisted by the Board Secretary to ensure an objective approach in their functions. In accordance with the good corporate governance standards, the Audit Committee is chaired by an independent director, appointed according to his/her accounting and auditing knowledge and experience. As an independent body, it **ensures that all companies observe the Code of Ethics in their operations**.

The Committee's main functions and regulatory responsibilities are: monitoring and resolving conflicts of interest, reporting on the financial statements to the Board of Directors, reporting changes in accounting criteria, supervising the internal audit functions, learning about the financial reporting process and supervising the internal control systems, as well as helping auditors identify any matters that could jeopardise its independence. In addition, it is responsible for supervising the risk control system, according to the internal audit and risk management functions, ensuring compliance with the corporate governance regulations and the corporate social responsibility policy. [102-25](#), [102-26](#), [102-29](#), [102-30](#), [102-31](#)

In 2018, the Audit Committee met ten times and addressed the following matters, among others:

- › **Review and analysis** prior to the formulation of the individual and consolidated **financial statements** of Abengoa S.A and its group, respectively, corresponding to 2017.
- › **Review and analysis** prior to approving the **financial information** corresponding to intermediate periods of 2018 sent to the CNMV.
- › Preliminary **review and analysis** of the **financial restructuring** proposal.
- › **Approval of the Non-Financial Information Statement** included in the Management Report.
- › **Approval of the 2019 budget** and review of **liquidity plans**.
- › **Approval of divestment** procedures, in particular, the sale of 16.47% of Atlantica Yield.
- › Identification and **monitoring of financial risks** of the Company for the formulation of its 2018 Financial Statements.
- › Approval of the **verification work** carried out by the external auditor.
- › **Internal audit**: approval and monitoring of the work and supervision plan, and assessment of its purpose.
- › Supervision of the **whistleblowing channels**.
- › Approval of the **work of the external auditor** other than that directly associated with the audit.

Note 6 Includes fixed and variable remuneration and remuneration in kind. This information corresponds to 94 % of the workforce (employees and operators) as of 31 December 2018, excluding those corresponding to the Brazilian company Abengoa Bioenergía Brazil, which was undergoing a judicial rehabilitation process with no reliable information about the process being available, and the members of the Executive Committee and Management Committee.

Note 7 More information in the [Corporate Governance Report](#).

