

Transparency and  
anti-corruption

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

#### Corruption prevention



- › Implement improvements aimed at maximising the **efficiency of the fraud prevention system**.
- › Promote **training on aspects related to fraud, corruption, ethics and the code of conduct** through the internal communication channels.

Abengoa builds its strategy based on **regulatory compliance and good corporate governance**, as established in its **code of conduct**. Its business model and corporate culture are governed by solid values, such as **integrity, reliability, professional rigour, customer focus, social contribution, diversity, equal opportunities and health and safety**, among others. [102-16](#)

Abengoa's commitment to these principles has continued to guide the company and all of its professionals on its current path of economic recovery.

**It is essential to include the expectations, concerns and specific characteristics of** each and every group of **stakeholders** in the company's strategy throughout this process. Therefore, it is a priority to continue working on strengthening the communication channels used with them, with a view to increasing the level of transparency.

As a consequence, the company is still undergoing a transformation process to further simplify its organisational structure and adapt its internal policies and its compliance and corporate culture programmes, with the aim of **ensuring an on-going and effective communication flow with its stakeholders**, while guaranteeing compliance with the law and respect for business ethics.

## Continuous improvement process

In the constant search for excellence and highest standards of quality, Abengoa endeavours to adapt the **best international practices associated with internal control, transparency, the fight against fraud and regulatory compliance**, among others. In this regard, the organisation seeks to align the best business practices with its strategy, adapting its processes on an on-going basis.

According to this, Abengoa works on a daily basis to **optimise and update the internal management processes that affect the most relevant business decisions** or those with an impact on the balance sheet, income statement or reputation of the company. In parallel, the company reviews and updates the processes that affect financial information, known as POC (Procesos de Obligado Cumplimiento - Mandatory Compliance Processes), aimed at ensuring that the **internal control system is robust, integrated and in line with the current organisational structure**.

The project for the optimisation and centralisation of the Organisational Structure Management system in SAP will start in 2019. This is the system used by Abengoa to plan its business resources. This process will help the company optimise its user profile management, control work-flows in the system and automate the internal control model, which will improve how financial information is controlled at Abengoa.

In addition, this measure will also help prevent fraud and corruption.

## Anti-corruption *205-2, 415-1*

Abengoa continues to adapt its **mechanisms related to transparency and the fight against corruption in its new functional and business structure**. To achieve this, it has implemented measures for the adaptation and rationalisation of its internal control systems and processes, which establish a series of approval requirements and circuits for the most relevant business decisions or those with an impact on the balance sheet or income statement.

These mechanisms guarantee the **balance between business opportunities, risk management and process execution**.

## Anti-corruption law

Abengoa is subject to the stipulations in the **local and international anti-corruption laws** and, in particular, the US Foreign Corrupt Practice Act or FCPA, which regulates the actions of all companies operating in the United States, regardless of their country of origin.

Abengoa's common management systems contemplate the requirements of these regulations, **guaranteeing compliance with the anti-corruption mechanisms** by all company employees, executives and directors.

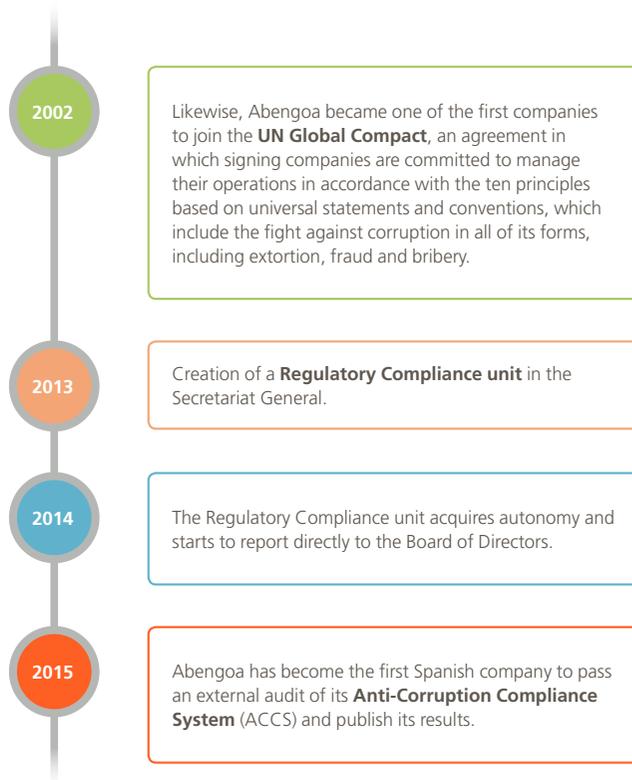
One of the functions of the Internal Audit area is to develop **annual prevention, fraud detection and regulatory compliance plans**. These plans cover the risk of failing to comply with Abengoa's internal anti-corruption regulations.

During 2018 the company made contributions to professional associations amounting to 123 thousand euros, mainly chambers of commerce or associations related to the building or other industries. *102-13*

Likewise, no direct or indirect contribution was made by Abengoa in 2018 to political parties and/or members of political parties, either in the form of money or in kind. *415-1*

## Anti-corruption compliance system

Abengoa incorporated the **fight against corruption** in its strategy a few years ago and has been strengthening its actions in this area since then.



The ACCS is an initiative that has been driven directly from the company's management and is applicable to all staff, with no exceptions. The purpose of this system is to **prevent irregular practices** and, if these occur, **increase the probability of identifying and mitigating them**.

The company has continued to improve the ACCS in 2018, adapting the confidential information safety procedure to the best global practices.

In parallel, the communication work in this area has been strengthened. In this regard, the Regulatory Compliance unit ensures all staff is informed about the latest relevant matters associated with compliance.

### The 10 key elements of the ACCS

Organisational culture and communication	Procedures and policies implemented at Abengoa	Detection mechanisms
<ol style="list-style-type: none"> <li>1. Involvement of senior management</li> <li>2. Regulatory Compliance Department, in direct contact with the Board of Directors</li> <li>3. Code of Conduct, with zero tolerance</li> <li>4. Training</li> </ol>	<ol style="list-style-type: none"> <li>5. Common Management Systems</li> <li>6. Risk analysis and assessment</li> <li>7. Specific procedures for the areas with the highest potential risks:                             <ul style="list-style-type: none"> <li>- Gifts and donations</li> <li>- Third-party control, monitoring and due diligence</li> <li>- Due diligence prior to company mergers and acquisitions</li> <li>- Due diligence prior to closing Joint Ventures agreements</li> <li>- Purchases, payments and contracts with third parties</li> </ul> </li> </ol>	<ol style="list-style-type: none"> <li>8. Update, review and continuous improvement of the ACCS</li> <li>9. Internal and external whistleblowing channel</li> <li>10. Conducting specific audits</li> </ol>

## Code of conduct 102-16, 205-2

Even though Abengoa is a company that must cater to the distinctive cultural characteristics of the countries in which it operates, there are a series of principles and forms of conduct that must be observed by all members of the organisation, since these are the basic pillars on which the corporate culture is based.

To achieve this, Abengoa created a professional code of conduct that establishes the **ethical behaviour guidelines which must govern the company's activity** and the prohibitions based on the values that define the organisation's corporate philosophy. Likewise, it defines the working relationship of its employees, executives and directors in the company, as well as the relations with its stakeholders.

Its purpose is to **guarantee transparency and professional rigour**, establishing guidelines to define the expected behaviour of all of Abengoa's employees.

This [code](#) is available on Abengoa's intranet and website in the two functional languages of the organisation - Spanish and English - and can be accessed by all employees, executives, directors and people associated with the company.

The code of conduct expressly states the values, principles and guidelines for conduct that must guide the behaviour and consolidate the culture of all of the company's employees in their professional duties.

Abengoa's code of conduct:

- › It requires the highest honesty and ethical conduct standards.
- › It requires compliance with the applicable laws, standards and regulations.
- › It addresses real or possible conflicts of interest and provides guidelines for employees, executives and directors to report such conflicts to Abengoa.
- › It requires the highest possible level of confidentiality and fair treatment inside and outside Abengoa.
- › It guarantees that all communications with the Public Administration or external entities meet the applicable requirements.
- › It guarantees that failure to observe the code is immediately reported internally, as well as any signs of illegal conduct.

It is vital for the organisation's employees to be acquainted with the code of conduct to ensure the practical application of its principles.

## Mechanisms to prevent corruption

### Whistleblowing channel 103-2

The whistleblowing channel is a key element of Abengoa's commitment in its fight against corruption and any form of voluntary practice against the laws and regulations. The company's stakeholders can use this channel to confidentially and anonymously report any form of irregular activity detected during the development of their professional functions.

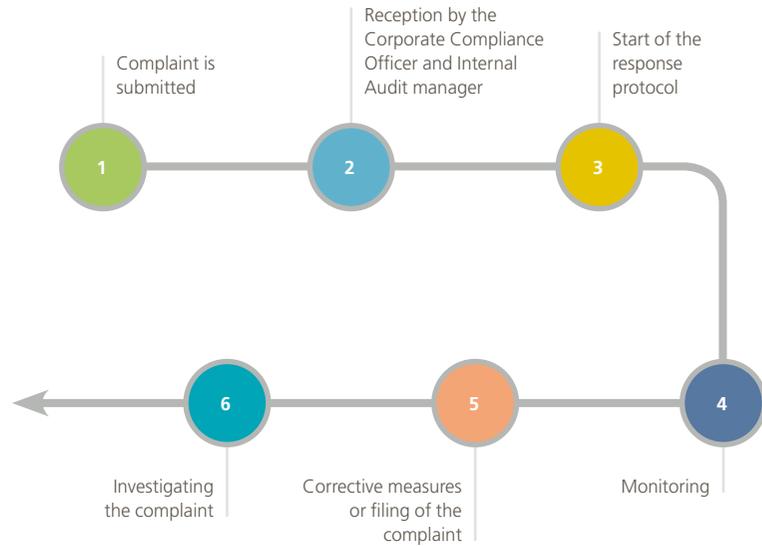
Without a doubt, this has become a very useful channel for **reliable and secure communications between any stakeholder and Abengoa's management**, with the purpose of addressing any irregularity, breach or unethical, unlawful or any other form of behaviour that fails to observe the company's regulations.

Abengoa's internal and external **whistleblowing channels** were opened in 2007 and meet the specific requirements of the Sarbanes – Oxley Act:

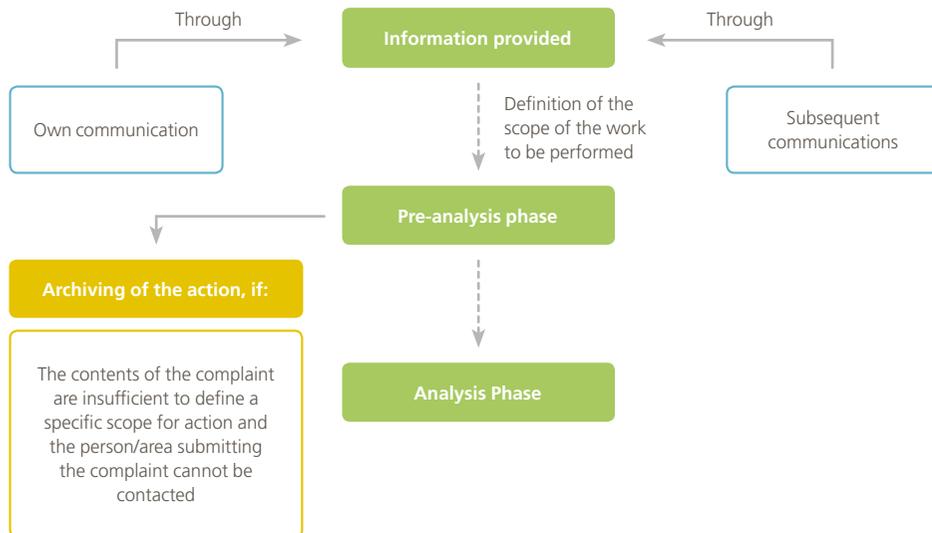
- › **Internal:** available to all employees, who can report claims or complaints.
- › **External:** available to any person outside the company, with the purpose of reporting irregular situations, fraudulent acts or other acts contrary to Abengoa's code of conduct. This channel is available on the company's website.

All complaints will be received directly by the Corporate Compliance Officer and Internal Audit Manager. After they have been analysed, **all complaints will be reported to the Audit Committee and the chairman of the Board of Directors**, who will formally conclude on the investigations or determine the measures that must be adopted, if required, in relation to the complaints received.

In accordance with the complaint channelling policy defining the parameters and conditions under which all information received is treated, it is specifically guaranteed that the tool can be accessed confidentially, allowing information to be submitted **anonymously** and **without any retaliation** for all complaints reported on good faith. The policy establishes that the response protocol must start within a period of 48 hours after receiving the complaint.

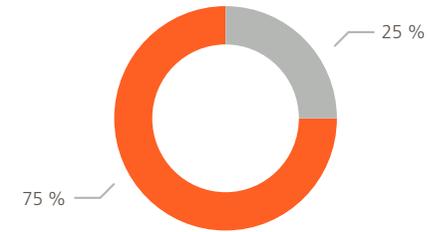


Steps followed after the complaint is received.



Twelve complaints were received during 2018, which translated into nine actions of the analysis phase.

**Complaints received and classified according to their nature (inside/outside the scope of the channel)**

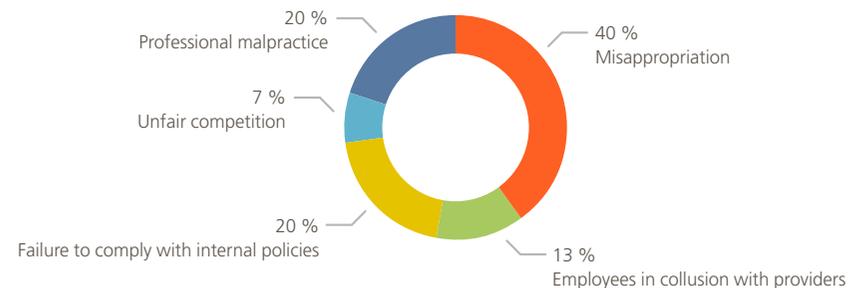


The process is described in the following steps:

- › When the notification is received, it is assessed to confirm whether it falls within the scope of action of the whistleblowing channel or not.
- › If the complaint is within the scope of the channel, the case is opened and a preliminary analysis is conducted. If the complaint is nominative, the person/area submitting the complaint is contacted to gather more information and define the scope of the analysis procedures more clearly and with all necessary details. The company has 48 hours to provide a response to the person/area submitting the complaint.
- › The scope of the work is defined with the information provided in the complaint and in subsequent communications with the person/area submitting the complaint, followed by the pre-analysis and analysis phases.

Confidentiality or, if applicable, anonymity and objectivity are preserved throughout all analysis phases.

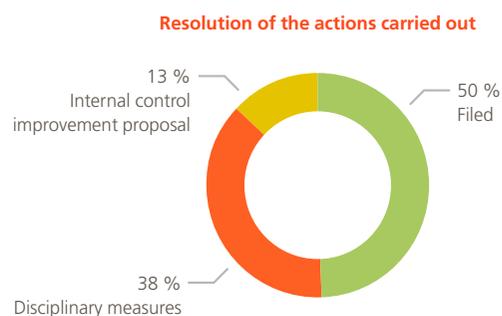
**Types of complaints reported**



The geographical distribution of the complaints received during 2018 is shown below: 102-17

	2018	2017	2016
Latin America	56 %	50 %	22 %
Africa	11 %	0 %	17 %
Europe	22 %	30 %	44 %
North America	0 %	0 %	6 %
Asia and the Middle East	11 %	20 %	11 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>

Conclusions presented as a result of the actions carried out. 205-3



## Good Practices Committee

Abengoa created the Good Practices Committee of the Board of Directors' Audit Committee in 2017 with the purpose of improving the company's transparency with its stakeholders. This Committee **assesses the cases in which Abengoa's code of conduct is not observed, as well as any form of internal fraud** (understood as a breach by managers and/or directors of the mandatory policies and processes), in which such actions have been instrumental to the perpetration or attempted perpetration of an offence or minor administrative misdemeanour within the scope of their roles.

The Committee is chaired by the Internal Audit department and is made up of the corporate Human Resources, Legal Advice and Regulatory Compliance departments.

## Implementación, gestión y control del Sistema de Control Interno

Abengoa has implemented an **internal control system based on the COSO** (Committee of Sponsoring Organizations of the Treadway Commission) methodology, as the framework to manage, identify and mitigate the risks when preparing financial information.

With a top-down approach, internal control is driven by Abengoa's chairman across the company, ensuring the senior management and all employees are responsible for observing the corresponding internal control practices.

- › The first line of control is **operational business management**, through the use of the company's Common Management Systems.
- › The second line of control is **risk management** and compliance established by the company's management.
- › And the third is internal and independent audit.

The risk control system is completed by the corporate governance bodies and senior management.

An effort has been made throughout the year to continue improving the efficiency of the internal control system, always with high standards of quality, in accordance with the **COSO standards**. Therefore, some internal control processes have been automated and centralised,

maintaining or even increasing the efficacy of the control system, while using less resources.

**Fraud prevention and detection work** has also been carried out **in the parent company and its subsidiaries** to help reduce its impact.

Some of the most important projects carried out during 2018 include the **global centralisation of the supplier governance** functions, which was controlled locally in each region until now. The project was launched in 2017 but it was implemented in different regions throughout 2018, increasing the system robustness and efficacy.

To achieve this, a minimum set of documentation and information was defined for all suppliers to be included in the Abengoa supplier master. In parallel, the existing suppliers were reviewed, documenting the information required in the main regions in which the project was rolled out: Spain, Oman, South Africa, Peru and the United Arab Emirates.

The centralisation of the supplier governance function is an improvement in the control system, which prevents corruption and money laundering, as well as fraud across all levels of the company.

## Audits for preventing and detecting fraudulent activities

In parallel to the implemented systems, Abengoa allocates important resources to the prevention and detection of corruption every year through the **Fraud Prevention and Detection Work Plan**, aimed at identifying and mitigating the main fraud-related risks to which the company is exposed and investigating the complaints received through the available channels.

This plan includes a preliminary risk analysis, with the purpose of designing an audit and revision plan that covers all regions in which Abengoa is present, including its most sensitive businesses and the areas with highest risks in their financial statements. The audit plan is subject to a permanent audit system, transforming it into a live tool, which includes the results and conclusions of the work carried out by the company in response to each completed project and activity.

The Regulatory Compliance department extends its framework of action across all lines of activity of the company, in coordination with the Non-financial Internal Audit Area, the Risk Management unit and Corporate Social Responsibility (CSR) unit.

## Responsible taxation

Abengoa has a firm commitment to managing tax-related matters, using **good practices** and acting with a **transparent** approach, in compliance with the applicable tax regulations and obligations in each jurisdiction in which it conducts business.

**The company makes a responsible and efficient effort to meet its tax obligations**, avoiding any significant risks and unnecessary conflicts. In this regard, the company pays € 10.61 for every € 100 of its revenue.

Taxes paid, by region



In 2018, Spain and South America represented 71% of the total taxes paid by Abengoa, with Brazil accounting for 42% of the taxes paid in South America.

Abengoa's tax strategy was approved by the Board of Directors and it is based on a series of **basic principles for action on all tax-related matters**:

- › Requiring all employees to observe the principles of **honesty, integrity and good judgement** in all decisions they take, in particular, as regards tax-related matters, while ensuring they observe the applicable regulatory and legal requirements and reasonably interpret the applicable regulations in each operation and business.
- › **Ensuring that transparency and integrity** are the base for the company's actions associated with tax-related matters and in the relationship promoted by Abengoa with the Tax Administrations in the different jurisdictions in which it operates. Evidence of responsible commitment includes:
  - **Adhering to the code of Good Tax-Paying Practices** of the Spanish Tax Administration.
  - **Avoiding the use of opaque structures** created for tax-related purposes, understood as those designed to prevent the Tax Administration from gathering information about

the ultimate responsible for the activities or ultimate holder of the corresponding goods or rights.

- Presentation since 2017 of the **Country-by-Country report** (CBC) to the Spain's National Tax Agency (AEAT).
- Implementation of the **real-time information system** with the AEAT.
- › **Transfer price policy** associated with our operations with associated entities, in compliance with the arm's length principle or the legal market valuation principle.
- › Development of **responsible tax policies** that allow the company to **prevent conduct that can generate significant tax risks**. In this regard, Abengoa's internal control system based on the COSO methodology includes a specific section on taxation with the associated controls, which is reviewed by an external auditor, as in the case of all other areas.

As regards the prevention of financial risks, fraudulent actions and money laundering, Abengoa makes explicit reference in its policy that investments made in tax havens are solely based on purely justified economic and business reasons not associated with other motivations at all, such as to receive tax benefits or be qualified as tax-exempt.

In addition, the organisation operates in other regions that, even though they are not included in the list of tax havens of the AEAT, they are included in the lists of other international bodies and observatories, which consider them territories with a lower tax burden than Spain. In this regard, it has subsidiaries in Delaware (US), the Netherlands, Luxembourg, Uruguay and Switzerland. These subsidiaries have been created for strictly economic or business purposes, or to simplify mercantile and administrative processes, but not for tax evasion, money laundering or illicit activity funding reasons. **201-4**

## Monitoring of the restructuring plan

The **audit committee** has continued to collaborate with the Board of Directors, with the purpose of informing and providing assistance to such body in its decisions and to ensuring that the information generated by the company during its restructuring process in 2018 is truthful and accurate, focusing on the supervision of financial information and its preparation and control processes, corporate governance matters, external auditor management and the effectiveness of the internal control and risk management system.

Likewise, **other projects** led during the year and which had a special relevance in the restructuring process include:

- › Diagnosis and implementation of the best market practices to maximise the efficiency of the whistleblowing channel.
- › Project for the improvement and simplification of the matrix of internal controls associated with the preparation of financial information.
- › Analysis and proposals for improvement in bidding and public tender processes to be awarded with projects.
- › Implementation of automatic or semi-automatic systems to treat banking transactions and the information of banking positions in the group's subsidiaries.
- › Support provided to prepare information and given to external advisors during the restructuring process.
- › Support provided to the external auditor during the replacement of the group's auditor.