

## 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 <sup>(1)</sup>	Executive	01/01/15-23/09/15										15,671
Aplidig, S.L. <sup>(1)</sup>	Executive	01/01/15-19/015										2,804
Manuel Sánchez Ortega <sup>(1)</sup>	Executive	01/01/15-27/07/15										8,388
María Teresa Benjumea Llorente <sup>(1)</sup>	Proprietary	01/01/15-10/10/15										43
Fernando Solís Martínez Campos <sup>(1)</sup>	Proprietary	01/01/15-10/10/15										57
Carlos Sundheim Losada <sup>(1)</sup>	Proprietary	01/01/15-10/10/15										57
Santiago Seage Medela <sup>(1)</sup>	Executive	18/05/15-27/11/15										594
Javier Benjumea Llorente <sup>(2)</sup>	Executive	01/01-30/06	60		51						111	2,600
José Borrell Fontelles <sup>(3)</sup>	Independent	01/01-22/11			145			40			185	300
Mercedes Gracia Díez <sup>(3)</sup>	Independent	01/01-22/11			145			40			185	200
Ricardo Martínez Rico <sup>(3)</sup>	Independent	01/01-22/11			100						100	130
Alicia Velarde Valiente <sup>(3)</sup>	Independent	01/01-22/11			136			40			176	150
Ricardo Hausmann <sup>(3)</sup>	Independent	01/01-22/11			229						229	280
José Joaquín Abaurre Llorente <sup>(3)</sup>	Proprietary	01/01-22/11			100						100	150
José Luis Aya Abaurre <sup>(4)</sup>	Proprietary	01/01-12/02			20						20	150
Inayaba, S.L. <sup>(3)(5)</sup>	Proprietary	07/03-22/11			80						80	-
Claudi Santiago Ponsa <sup>(6)</sup>	Proprietary	01/01-25/05			36						36	78
Ignacio Solís Guardiola <sup>(3)</sup>	Proprietary	01/01-22/11			71						71	78
Antonio Fornieles Melero <sup>(3)(7)</sup>	Independent/Executive	01/01-22/11	509		29			10			548	195
José Domínguez Abascal <sup>(8)</sup>	Executive/External	01/01-18/04	119								119	175
Joaquín Fernández de Piérola Marín <sup>(3)(9)</sup>	Executive	01/01-22/11	571								571	23
Gonzalo Urquijo Fernández de Aroz <sup>(10)</sup>	Executive	22/11-31/12	108		16						124	
Manuel Castro Aladro <sup>(11)</sup>	Independent	22/11-31/12			16			3			19	
José Wahnnon Levy <sup>(11)</sup>	Independent	22/11-31/12			16			5			21	
Pilar Cavero Mestre <sup>(11)</sup>	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 <sup>(17)</sup>	Independent	22/11-31/12			16			3			19	
Javier Targhetta Roza <sup>(17)</sup>	Independent	22/11-31/12			16			5			21	
Ramón Sotomayor Jáuregui <sup>(17)</sup>	Independent	22/11-31/12			16			5			21	
<b>Total</b>			<b>1,367</b>	<b>0</b>	<b>1,254</b>	<b>0</b>	<b>0</b>	<b>161</b>	<b>0</b>	<b>0</b>	<b>2,782</b>	<b>32,123</b>

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 <sup>(1)</sup>	–
<b>Total</b>	<b>0.874</b>	<b>2.1</b>

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 <sup>(1)</sup>	Executive	01/01-30/06									–	52 <sup>(2)</sup>
<b>Total</b>			–	–	–	–	–	–	–	–	–	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	-	-	
<b>Total</b>		<b>2,782</b>	<b>-</b>	<b>-</b>	<b>2,782</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,782</b>	<b>32,193</b>	<b>-</b>	

## 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.