



### 03. Annual Report on the Activities of the Audit Committee

## 1. Letter from the Audit Committee Chairman

I am pleased to present the Annual Report of this Audit Committee. It provides information on the activities undertaken during the last financial year.

In 2017 Abengoa continued to advance in its restructuring plan and the Audit Committee (AC) supported the objective by exercising its duties, focusing on the supervision of the financial information and its preparation and control process, the handling of the external auditor in determining its mandate and independence in the execution thereof, the effectiveness of the risks and internal control management system and issues of corporate governance, all for the ultimate purpose of informing and advising the Board of Directors in their decision-making.

During the 2017 financial year, the committee met 14 times, to deal with, review and discuss a variety of issues such as the financial information published quarterly, transactions with associated parties, and communications with the regulator. We performed an exhaustive follow-up on the proposals and services rendered by the auditors, and the fees received for such services, as well as the supervision of the duties of the internal auditor and the results of the interventions done as a result of whistle-blowing received in relation to fraud regarding financial information. Thus we regularly invited the accounts auditor to the Committee, as well as the members of Abengoa's top management such that we continued tackling the issues with maximum rigour, scepticism and transparency.

It should be pointed out that during the 2017 financial year the Board of Directors empowered the Committee to prepare a bid for the services of external auditor for the next three years. As a result of said process, the Committee proposed the appointment of Deloitte LLP as auditor for the 2017 financial year and PricewaterhouseCoopers Auditores, S.L. (PwC) as external auditor for the 2018, 2019 and 2020 financial year to the Board of Directors and to this Assembly of Shareholders, and both appointments were approved during the General Meeting held in June 2017.

In the name of the Audit Committee we wish to thank the outgoing external auditors, Deloitte LLP, for their hard work and dedication to Abengoa, and for their professional approach towards guaranteeing an orderly transition to the new auditor, PricewaterhouseCoopers Auditores, S.L. (PwC).

**Don José Wahnón Levy**  
Audit Committee Chairman

## 2. Scope

In 2015, Law 22/2015 of Accounts Auditor (LAC) conferred supervisory powers on the National Committee of the Stock Market (CNMV) in this scope and extended said obligation, with some exception, to entities of public interest (EIP). Thus, both the LAC and the Corporate Act as well as the Good Governance Code of Listed Companies contain rules on the composition, function and responsibilities of the audit committee. In 2017, the CNMV issued a Technical Guide pursuant to RDL 4/2015 of the LVM, which set up the basic principles, and a compendium of good practices in matters of function and responsibilities of the audit committee.

Abengoa's Audit Committee was set up by the Board of Directors of Abengoa, S.A. on 2nd December 2002, in accordance with Article 44 of the Bylaws, for the purpose of incorporating the stipulations regarding the Audit Committee, set forth in Law 44/2002, of 22 November, on Measures of Reforming the Financial System. Since then, Abengoa's Audit Committee has been incorporating all the obligations and recommendations that, in each case, have been required, so as to not only ensure regulatory compliance but also to ensure that the best practices in matters of Corporate Governance are applied.

The Report on the Activities of the Audit Committee, for the 2017 financial year, was approved in the session held by this committee on 7 March 2017, submitted to the Board of Directors in its session held on 7 March 2017 and shall be made available to the company's shareholders as part of the publication of Abengoa's Annual Report, not later than the call for the convening of the General Meeting of Shareholders.

## 3. Composition of the Audit Committee

The Audit Committee's Regulation of its Internal Regimen was approved by the Board of Directors on 24 February 2003, and it establishes that:

### 3.1. Composition and Assignment

On 22 November 2016, and on the proposal of the Appointments and Remunerations Committee approved by the Board of Directors approved the appointment of board members that now make up the Audit Committee and as listed below:

Chairman / Board Member	José Wahnon Levy	Independent	22 November 2016
Member	José Luis del Valle Doblado	Independent	22 November 2016
Member	Manuel Castro Aladro	Independent	22 November 2016
Non-board member secretary	Daniel Alaminos Echarri	Non-member Secretary	23 June 2014

Following the obligations set forth in the valid regulations, and adopting the recommendations made by the relevant bodies, the Committee comprises of independent board members, with renowned experience and training in accounting, auditing, financial, risks management and internal control matters, sufficient for the good performance of their duties. Below is a summary of the professional profile of each one of the members of the Committee, abstracted,

#### José Wahnon Levy

He has a Business Administration and Management degree from the Universidad de Barcelona and a Law degree from the Universidad Complutense de Madrid, as well as a Doctorate from Harvard Business School.

He started his career at PricewaterhouseCoopers, a firm of which he became a partner in 1987, responsible for the financial institutions division between 1987 and 2003. He was later appointed as Partner Director of the audit division until he left the company in 2007. He has since being linked to the business world in the performance of Independent Board Member in several entities.

#### José Luis del Valle Doblado

Mining Engineering at Polytechnic University of Madrid and "Nuclear Engineer" at the Massachusetts Institute of Technology (MIT). He then studied an MBA at Harvard Business School.

He started his professional career in the banking sector where he has accumulated more than 35 years of experience. Likewise, he has held various posts in the energy sector, where he has performed diverse relevant jobs in companies like Iberdrola or Gamesa Corporación Tecnológica. He is presently the Chairman of Lar España, as well as an independent board member of Ocaso Seguros and of Verditek plc.

#### Manuel Castro Aladro

He has a Business Administration and Management degree from the Universidad Pontificia de Comillas (ICADE), and an International Executive MBA from the University of Chicago.

He began his career at Arthur Andersen and later, in 1992, moved to the banking sector. In 1998 he joined BBVA where he held various positions related to business development until 2009, the year he was appointed Group Chief Risk Officer, a position he held until 2015. Since 2015 he has been independently advising banks and investment funds on issues related to risk management and investments.

#### Daniel Alaminos Echarri

Law degree with specialization in Commercial Law from the University of San Pablo CEU. State Prosecutor since 1996, presently he is the Secretary General and also for Abengoa's Board.

During his professional career he has held various posts as director of the Legal Consultancy of State-Owned Industrial Corporation (SEPI) and partner in the Equities Market of the Ramón y Cajal Abogados Chamber, and he has participated in several restructuring processes of savings banks, capital split, as well as restructuring operations linked with huge real estate and industrial groups plus consultancy on an extensive range of subjects, with a special emphasis on finance, technology and industries.

### 3.2. Chairman and Secretary

In accordance with the Regulations of the Committee, on the date of the creation of the Committee, the board appointed José Wahnon Levy as Chairman and Daniel Alaminos as Secretary of the Committee.

### 3.3. Duties

In accordance with the stipulations in the Internal Regimen Regulations, available of the Abengoa's intranet ([www.abengoa.es](http://www.abengoa.es)), which includes the provision in the specific legal rules: Law 44/2002, Law 22/2015 and the Technical Guide of the CNMV published in 2017, the following activities are the duties and competencies of the Audit Committee:

- › Supervision and analysis of the quarterly, half-yearly and annual financial and non-financial information that should be remitted to the regulatory organs or the market supervisors.
- › Supervision of the design and efficiency of the internal control systems.
- › To inform the Board of Directors on any changes in the accounting criterion with special relevance in the financial and non-financial information prepared by the company.
- › Assessment and analysis of the significant risks in the business, informing the Board on its evolution.
- › To inform the General Meeting of Shareholders on the questions that the shareholders bring forth on aspects of financial and non-financial information, as well as on Abengoa's risk management.
- › Supervision of the internal audit services. The Commission will have full access to internal auditing and will report on the selection, dismissal, renewal, removal and remuneration of its director, and must also report on the budget for this department
- › Approval and supervision of the internal audit plan for the ongoing financial year, ensuring that the main areas of risks are considered.
- › To direct the process for selecting the accounts auditor, in accordance with the obligations set forth in the LSC and the LAC, as well as in Regulation (UE) 537/2014.
- › To propose the appointment of external accounts auditors to the Board of Directors for subsequent submission before the General Meeting of Shareholders.
- › To supervise the services and fees paid to the external auditors.
- › To ensure communication with external auditors to receive information on matters that may cast doubt on their independence, and to learn of the most significant aspects of the work performed for the issuance of the auditor report.
- › To summon the Directors it deems appropriate to the meetings of the Committee to report on issues to the extent the Audit Commission deems fit.
- › To prepare an annual report on the activities of the Audit Committee, which should be published together with the annual accounts/financial statement of the financial year.

## 4. Activities Undertaken in 2017

### 4.1. Main areas of activity of the Audit Committee

In the performance of its main tasks of serving as support for the Board of Directors, the main activities undertaken and analyzed by the Audit Committee and which make up its main areas of supervision, may be grouped into four areas of different competencies:

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#### 1. External Auditor

- › Appointment and Remuneration of auditor
  - › Supervision of the scope of work.
  - › Requirements of independence and disqualification situation.
  - › Analysis of significant issues of the financial audit.
  - › Supervision of the work of the external auditors.
  - › Promoting communication fluency with the external auditor for better understanding of the risks and significant aspects that may affect the financial information
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#### 2. Preparation of the Financial and non-Financial Information

- › To understand and supervise the correct functioning of the systems of preparation and control of the financial and non-financial information made available to its interest groups (shareholders, employees, suppliers).
  - › Analysis of the complex technical aspects that could affect the financial and non-financial information.
  - › To ensure the application of the regulations and the correct accounting principles.
  - › Revision of the integrity of the financial and non-financial information.
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### 3. Internal Auditor

- › To supervise the function of the Internal Audits department
- › To assess the capacity and performance.
- › To approve and supervise the internal audit plan, ensuring that the main areas of risks are considered and are prepared taking into account an appropriate coordination with other assurance functions.

### 4. Risks and Internal Control

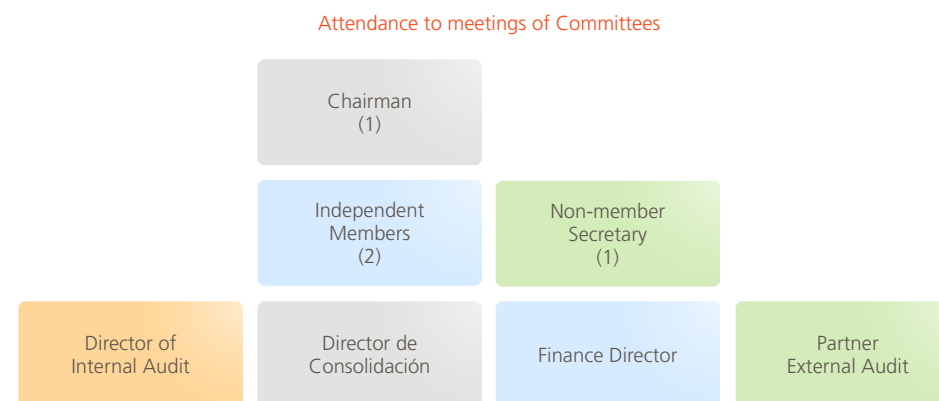
- › To define action plans for mitigating risks of fraud in the company.
- › To know and understand the efficiency of internal control of the financial information (SCIIF).
- › To supervise the functioning of the whistle-blowing channels, both internal as well as external, on fraud relating to the financial statements.
- › To supervise the progress of ongoing projects in the company
- › To supervise the process of divestiture involving significant assets.

### 5. Corporate Governance

- › Maintenance and measurement of the effectiveness of the organs of control.
- › Financial communication and reporting.
- › Actions in corporate social responsibility.
- › Compliance with regulations and ethic questions.
- › Conflicts of interests.
- › Associated transactions.
- › Supervision of the whistle-blowing policy.

## 4.1. Meetings Held

During the 2017 financial year, the Audit Committee met on 14 occasions, with all the members of the Committee in attendance on all of the occasions.



The sessions held during the 2017 financial year until the issuing of this Report are as follows:

Madrid, 16 January 2017	Madrid, 19 June 2017
Madrid, 23 February 2017	Madrid, 31 July 2017
Seville, 27 February 2017	Madrid 21 September 2017
Madrid, 16 March 2017	Seville, 25 September 2017
Madrid, 19 April 2017	Madrid, 30 October 2017
Madrid, 9 May 2017	Madrid, 13 November 2017
Madrid, 24 May 2017	Madrid, 18 December 2017

## Key Activities in 2017

### External Auditor

The auditor of the individual and consolidated annual financial statements of Abengoa, for the 2017 financial year is Deloitte S.L., which is also the Group's main auditor.

On 30 June 2017, in the meeting of Shareholders, Deloitte was re-selected as the accounts auditor of the Company and of the consolidated group for the 2017 financial year. This decision was submitted for approval to the General Shareholders Meeting upon the proposal by the Board of Directors, after it had been proposed by the Audit Committee. Also, and following a bidding process monitored by the Audit Committee and on the proposal of the Board of Directors, the General Meeting of Shareholders appointed PricewaterhouseCoopers Auditores, S.L. as the accounts auditor for the Company and its consolidated group for the 2018, 2019 and 2020 financial years, to audit the company during the 2018, 2019 and 2020 financial years.

In addition, other auditing firms collaborate as accounts auditors for some of the subsidiaries, both in Spain and elsewhere, but the scope is not significant for the Group's auditor when it comes to preparing to issue the audit report on the Consolidated Financial Statement.

The overall fees agreed upon with the external auditors for the 2017 financial year auditing, including the revision of regular information, as well as the auditing of SCIIF internal control are as follows:

Geography	Firms	Fees (€)	companies
Spain	Deloitte	1,783,314	36
	PwC	0	0
	Otras firmas	26,040	5
Foreign	Deloitte	520,493	40
	PwC	6,036	1
		496,858	46
<b>Total</b>		<b>2,832,741</b>	<b>128</b>

When engaging different works of financial auditing to any of the auditing firms making up the Big4, the company undertakes a prior verification procedure, for the purpose of detecting the existence of any possible disqualification for such in accordance with regulations issued by the regulator, Institute of Accounting and Accounts Auditing (ICAC). Said procedure ends in the proposing to the Audit Committee of said engagement, which is authorized if deemed in accordance with independence and legitimacy.

The fees amount for which the main auditing firms are engaged for different financial auditing works in the 2017 financial year, are as follows:

Firm	Fees (€)
Deloitte	90,754
PwC	765,881
KPMG	696,825
Ernst & Young	333,291
<b>Total</b>	<b>1,886,750</b>

The external auditor regularly attends the sessions of the Audit Committee, to report on the scope of competencies.

In 2017 a total of 3 reports were issued by external auditors, and these form an integral part of the Annual Report:

- › Audit report on the consolidated accounts of the Group.
- › Report on the individual accounts auditing of Abengoa, S.A, the group's parent company.
- › Audit report on compliance with internal control under the ICFRS standards.

Below is a list of the main events dealt with at the committees in 2017 in this area:

- › Presentation of the external auditor's (Deloitte) report for the 2016 financial year.
- › Analysis of independence of the external auditor for the 2016 financial year.
- › Selecting of the accounts auditor, in accordance with the obligations set forth in the LSC and the LAC, as well as in Regulation (UE) 537/2014.
- › Appointment of Deloitte, S.L. as the accounts auditor of the company, individual and consolidated for the 2017 financial year.
- › Follow-up on the fees payable for the external auditing services and consultancy for the 2017 financial year.
- › Revision of non-Audit services rendered by the Group's auditor, to assess any possible reason that may disqualify it as accounts auditor.
- › Technical analysis of the accounting treatment of specific significant events that may have occurred in the financial year.
- › Information on the validity of the new accounting regulations.
- › Presentation of the results of the limited revision of the intermediate financial statements by Deloitte, as external auditor.
- › Presentation of the results and the opinion report on the financial statements for the 2017 financial year, by the external auditor.

## Financial Reporting

The Audit Committee in the exercise of its duties like the supervision and analysis of the quarterly, half-yearly and annual financial and non-financial information that should be remitted to the regulatory organs or to the market supervisors, performed the following during the 2017 financial year:

- › Positive information to the Board on the preparation of the CCAA for Abengoa S.A and its consolidated group, for the 2016 financial year
- › Supervision of the relationship and communication with the regulatory organs (CNMV, etc)
- › Positive information on the budgets for the 2017 financial year.
- › Positive information to the Board on the financial information for the first, second and third quarters of the 2017 financial year.
- › Revision of the evaluation of significant assets of the company.
- › Analysis of the impacts due to significant changes in the accounting regulations.

## Internal Auditor

The Audit Committee's functions entail supervising the internal audit service and obtaining information on the financial reporting process, the internal control systems and the risks for the company.

The Audit Committee recorded and supervised and monitored the Audit Plan during the financial year. They also performed other duties, not envisaged in the plan, mainly in connection with the support rendered to the Company during and after the restructuring period.

For the purpose of supervising the sufficiency, adjustment and efficacy of the functioning of the systems of internal control and risks management, during the 2017 financial year the Committee was systematically informed by the internal audits director, with regards to works performed.

Below is a list of the main events dealt with at the committees in 2017 in this area:

- › Presentation and approval of the 2017 Internal Audits Plan.
- › Approval of the Internal Audits budget for the financial year
- › Follow-up of the 2017 Internal Audits Plan and the degree of compliance.
- › Approval of the Internal Audits budget for the 2018 financial year
- › Approval of the goals and objectives of the department for the 2018 financial year.

## Risks and Internal Control

Works continued during the financial year in relation to the update, and improvement of the design of internal control under the COSO trademark, preparing the general frameworks and guidelines on the company's risks management, its internal control and fraud detection for the betterment of the corporate governance. In addition, fraud prevention and detection mechanisms were put in place in the organizations, for the purpose of reducing the impacts thereof.

Below is a list of the main events dealt with at the committees in 2017 in this area:

- › Presentation and approval of the 2017 Internal Audits Plan
- › Follow-up of the 2017 Internal Audits Plan and the degree of compliance in fraud-related matters.
- › Follow-up on the main risks in ongoing projects.
- › Assessment of the recoverability of assets through the results obtained from impairment tests.
- › Follow-up and approval of divestitures on assets and businesses with significant impact in the Financial Statements.
- › Follow-up on legal proceedings with possible impacts on the Financial Statements.

## Corporate Governance

The Management of the company has a professional code of conduct that is constantly updated and the philosophy of which is based on honesty, integrity and good judgement of the employees, directors and board members, as shown in the Annual Corporate Governance Report, which outlines the structure of the administration, the risks control systems, the degree of follow-up on recommendations in matters of corporate governance, and the instruments of information; and which shows the commitment of the Management to maintaining an appropriate system of internal control and risks management, the good corporate governance, and the ethics conduct of the organization and its employees.

All the directorates, mainly of the departments of human resources and internal audits, strive towards ensuring compliance with the code, and inform the management of any improper conduct that is observed, even as the appropriate measures are taken.

Abengoa's internal control system is equipped with various mechanisms and procedures that enable the mitigation of risks of fraud.

In this manner and following the guidelines provided in section 301 of the Sarbanes-Oxley Act, the Audit Committee decided to establish specific procedures for:

- › The reception, safeguard and processing of complaints or reports that the company may receive in relation to the accounting, internal monitoring of the accounting or auditing matters.
- › Employees of the company to be able to confidentially or anonymously send information in good faith on dubious or arguable policies of accounting and auditing.

In this sense, Abengoa has a twin mechanism for receiving complaints or reports.

- › An internal channel, which is available to all employees, so that they can notify any alleged irregularity in accounting or audits or breaches of the code of conduct.
- › An external channel, available to anyone outside the company, so that they can notify any alleged irregularities, fraudulent actions or breaches of Abengoa's code of conduct through the website ([www.abengoa.com](http://www.abengoa.com)).

The whistle-blowing policy guarantees the absence of reprisals for sincere whistle-blowers, who may make their reports on the basis of confidentiality. Likewise, both the internal as well as external whistle-blowing admits and accepts anonymous reporting.

This policy applies to any employee of the Group, consultants, suppliers or third parties with direct relationship and legitimate profession or business interest.

Each report received is thoroughly investigated by the internal auditors. Within the internal audit department, Abengoa has a specific unit assigned to investigation of reports received through the various whistle-blowing channels and to ensuring that the fraud prevention measures are put in place. In cases in which the technical complexity so requires, independent experts collaborate with them to ensure at all times that sufficient capacity exists for the appropriate investigation and to ensure sufficient level of objectivity in doing the job.

Below is a list of the main events dealt with at the committees in 2017:

- › Annual Report on the Activities of the Audit Committee
- › Information on the whistle-blowing policy.
- › Approval of the Annual Report on the 2016 Corporate Social Responsibility.
- › Follow-up on and assessment of the whistle-blowing and the investigations done for each, including the implementation of measures based on the result of the investigation.

## 5. Conclusions

Throughout the 2017 financial year, the audit committee adequately exercised the responsibilities assigned to it by the bylaws and the Board regulations through the holding of the 17 committees attended and participated in by all the members with responsibility and scepticism while maintaining constructive dialogue both among its members as well as with the company and its management.

In conformity with the best practices of corporate governance, the audit committee adapted its composition and today it's exclusively comprised of board members deemed independent pursuant to the aforementioned regulations, in accordance with the new appointments decided upon by Extraordinary General Meeting dated 22 November 2016.

The Committee has always encouraged continuous participation and communication with different members of the Company: CEO, CFO, Internal Audit Director, Director of Restructuring and Strategy.

Thus, the Committee Chairman has invited the accounts auditor to as many meetings as have been held, the result of which is that the auditor has participated at least 6 of the sessions held, explaining and sharing knowledge of significant issues identified in the auditing procedures, and training the Committee in the identification of business and auditing risks.

The follow-up on the work performed by the accounts auditor, the revision of its conclusions and the assessment of its independence by the committee complied with the established policies. The positive conclusions of the accounts auditor on the financial status of the Group and the ratification of the quality of the aforementioned systems financial information and internal control of the Group.

Finally, the committee is in conformity with the internal procedures set forth to ensure the correct compliance with the valid regulations and the policies, internal norms and procedures of the Group.

The Committee is deeply satisfied with the work performed by the internal audit services in executing their mission of supervising compliance, efficacy and efficiency of the internal control systems, as well as the reliability and quality of the Group's financial information.



Considering the nature of the listed company in Spain, Abengoa has taken the regulations and good practices of transparency and good corporate governance as reference. Thus, Abengoa's annual report includes the following reports on independence verification:

- › Audit report on the consolidated accounts of the Group, as required by current regulations
- › Audit report on compliance with internal control under the ICFRS standards.