



09

Good governance

- _ Governing bodies
- _ Transparency and anti-corruption
 - _ Abengoa's public position
- _ Risk control and rigor in management

09 Good governance

Good governance is realized at Abengoa through the implementation of a set of **sound practices** which govern the relationships between the company's range of governing bodies and company stakeholders. These practices are grounded in **transparency** and **rigor in management** and they facilitate interaction with the market as a whole by creating sustainable long-term company value.

Given its distinct global dimension, Abengoa has voluntarily introduced best **international market practices** into its business culture and internal operations, while attending to the company's strategic management at the same time. The company meets all requirements stipulated for stock market listing in the US, upholds the provisions of the Sarbanes-Oxley Act (SOX), particularly in relation to the struggle against fraud and bad practices, and complies with the [US Foreign Corrupt Practices Act \(FCPA\)](#), the law regulating all activities of any companies operating in the US, regardless of their country of origin. Furthermore, in 2013, the company initiated the creation of Corporate Compliance, a program for managing regulatory compliance in accordance with the recommendations of the US Federal Sentencing Guidelines for Corporations, thereby upholding this new dimension of international corporate responsibility.

With the aim of reporting to stakeholders on the company's performance in the realm of Corporate Governance, Abengoa publishes its annual **Report**, which, since 2009, is **reviewed** by an **independent third party**.

Governing bodies

Board of Directors

The Abengoa [Board of Directors](#) is composed of **fifteen members**, three women and twelve men, whose ages range from 48 to 69. Eight members are proprietary directors¹, four are independent², and three are internal directors³. None of them is a board member of any other listed company.

The Board met sixteen times in 2013 to deal with matters ranging from the most significant operational accomplishments and problems to any critical situations that needed to be addressed by company management.

Note 1 **Proprietary director:** an officer who holds a significant shareholding interest or has been designated by a shareholder.

Note 2 **Independent director:** designated by virtue of his or her professional merits, an officer who performs his or her duties without being conditioned by their relationships with the company, significant shareholders or members of senior management, and proposed specifically by the Appointments Committee.

Note 3 **Internal director:** an officer with executive duties who at the same time is or represents a significant shareholder.

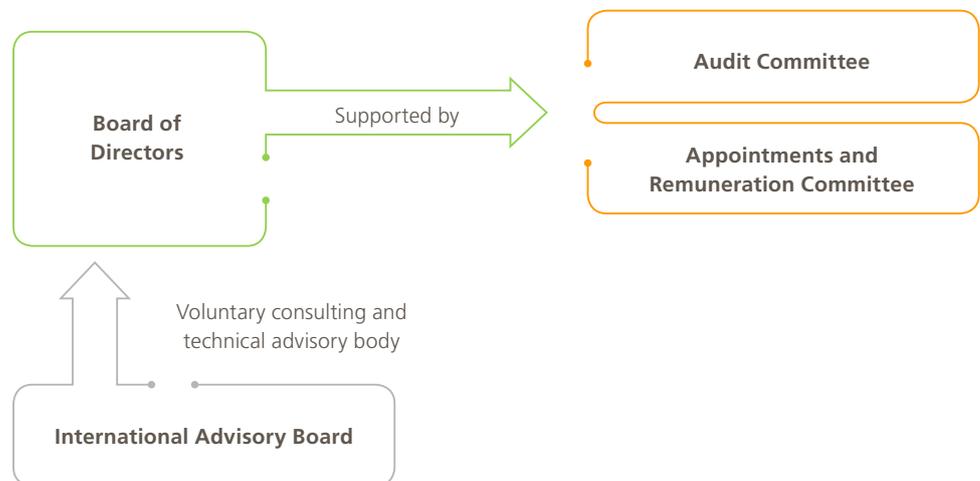
09 Good governance

<p>Mr. Felipe Benjumea Llorente, executive chairman.</p>		<p>Prof. José B. Terceiro, executive vice chairman, member in representation of Aplicaciones Digitales S.L., member of the Appointments and Remuneration Committee.</p>		<p>Mr. Manuel Sánchez Ortega, chief executive officer.</p>	
<p>Mr. José Joaquín Abaurre Llorente. External proprietary director. Member of the Audit Committee.</p>		<p>Mr. José Luis Aya Abaurre. External proprietary director. Member of the Appointments and Remuneration Committee.</p>		<p>Ms. María Teresa Benjumea Llorente. External proprietary director.</p>	
<p>Mr. Javier Benjumea Llorente. External proprietary director.</p>		<p>Prof. D. José Borrell Fontelles. External independent director. Chairman of the Appointments and Remuneration Committee.</p>		<p>Prof. Mercedes Gracia Díez. External independent director. Chairwoman of the Audit Committee.</p>	
<p>Mr. Ricardo Martínez Rico. External independent director. Member of the Audit Committee.</p>		<p>Mr. Claudi Santiago Ponsa. External proprietary director.</p>		<p>Mr. Ignacio Solís Guardiola. External proprietary director.</p>	
<p>Mr. Fernando Solís Martínez-Campos. External proprietary director.</p>		<p>Mr. Carlos Sundheim Losada. External proprietary director.</p>		<p>Ms. Alicia Velarde Valiente. External independent director. Member of the Audit Committee.</p>	

09 Good governance

The Board of Directors meet on quarterly and yearly bases to deal with the economic, social and environmental matters relating to the organization, in order to adopt the necessary measures based on the company's strategies which are also approved by the highest governing body. The organization also has a consultative body: the International Advisory Board which advises the Board of Directors in matters relating to these issues.

The Board of Directors, whose members are appointed and approved by the Chair, regularly reviews the duties and obligations conferred on the various committees at the maximum level of the organization.



Appointments and Remuneration Committee

The Appointments and Remuneration Committee has the duty of safeguarding and reporting to the [Board of Directors](#) on appointments, reelections, terminations and remuneration of the Board and its officers, and on general policy regarding compensation and incentives for board members and senior management.

The committee also verifies on an annual basis that the different board members continue to meet the requirements to remain as such. This body also acts to ensure that in filling any vacancies that may rise, selection procedures are not affected for reasons of gender.

Another important duty of this committee is to evaluate the performance of the [Board of Directors](#) and the executive officers.

Chairman	Prof. José Borrell Fontelles
Members	Mr. José Luis Aya Abaurre
	Prof. José B. Terceiro
	Ms. Alicia Velarde Valiente
	Prof. Mercedes Gracia Díez
Non-board member secretary	Mr. José Marcos Romero

09 Good governance

Audit Committee

The Audit Committee is primarily made up of non-executive members, thereby fulfilling the requirements established under the standards of good governance. The duties and powers of the committee, as stipulated in its regulations, include overseeing and resolving conflicts of interest. This committee meets four times a year. The secretary to the [Board of Directors](#) acts as secretary during committee meetings.

Chairwoman	Prof. Mercedes Gracia Díez
Members	Mr. José Joaquín Abaurre Llorente
	Prof. José Borrell Fontelles
	Prof. Mercedes Gracia Díez
	Ms. Alicia Velarde Valiente
	Mr. Ricardo Martínez Rico
Secretary	Mr. Miguel Ángel Jiménez-Velasco Mazarío

International Advisory Board

In 2010, Abengoa created the International Advisory Board (IAB), a non-regulated voluntary body intended to provide technical advice to the [Board of Directors](#), to which it reports, in order for the company to gain a deeper understanding of the needs of the company's different stakeholders.

In 2013, the number of advisory board members was expanded to include Mr. Javier Benjumea Llorente, Mr. Alan García Pérez, and the law firm of Wilmer Cutler Pickering Hale and Dorr LLP. Mr. Carlos Sebastián Gascón also resigned as a member of the advisory board in 2013.

The IAB is made up of **eleven experts**⁴ of renowned international prestige in a variety of fields and who hold their office for a two-year period, with the possibility of reelection, a decision which falls to the [Board of Directors](#).

The Board of Directors members of the International Advisory Board and the new member's cv are as follows:

Mr. Javier Benjumea Llorente (chairman): holder of a degree in Business Administration and a Master's Degree in Senior Company Management, he joined Abengoa in 1980 as deputy chairman. In 1986, he was appointed chief executive officer of Abengoa, and was co-chairman from 1995 to 2007. He is also a director of Inversión Corporativa IC, S.A., vice chairman of Sevillana-Endesa and member of the board of, among others, Telefónica Argentina S.A.; the newspaper ABC; Estudios de Política Exterior, S.A., and the Association for Managerial Progress (APD in its Spanish acronym). Chairman of the Board of Trustees of the Sagrada Familia Professional Schools Foundation (SAFA). Member of the Board of Trustees of the Focus-Abengoa Foundation and member of the Governing Body and the Board of Trustees of the Comillas-ICAI University Foundation. Permanent academian of the Andalusian Academy of Social Sciences and the Environment. Member of the Board of Trustees of the Royal Palace of Seville and of the Andalusian Association of Foundations. Member of the Board of Trustees of the Forja XXI Foundation.

Mr. José Borrell Fontelles (vice chairman)

Mr. Kemal Dervis (member)

Note 4 Although there are currently no women on the IAB, in 2012 Ms. Pamosh Bhat was a member. She later completed her two-year term.

09

Good governance

Mr. Mario Molina (member)

Mr. Nicholas Stern (member)

Mr. Ricardo Hausmann (member)

Mr. Bill Richardson (member)

Mr. Arthur Charles Valerian Wellesley (member)

Mr. Álvaro Fernández-Villaverde y Silva (member)

Mr. Alan García Pérez (member): holder of degrees in law and sociology from the National University of San Marcos and the Pontifical Catholic University of Peru, with postgraduate studies in sociology at the University of Paris and law at the Complutense University of Madrid; and professor at Federico Villareal Univeristy. He current holds the position of president of the Peruvian Aprista Party and writes opinion articles related to the drop in Peru's poverty rates and growth of the Peruvian economy.

The law firm of Wilmer Cutler Pickering Hale and Dorr LLP (Pennsylvania, Washington DC, US): Founded in 1918, the firm currently has 1,000 attorneys and fourteen offices across the United States, Europe and Asia.

Strategy Committee

The Strategy Committee meets monthly to analyze the company's evolution and the strategic lines to follow. This committee comprises the executive chairman and the executive vice chairman; the chief executive officer; the directors of the Corporate Strategy and Development, Capital Markets, Investor Relations, Human Resources, Planning and Control, and Organization, Quality and Budgets departments, as well as the business unit directors, the director of International Institutional Relations, the chief technical officer, the general secretary for sustainability, and the general secretary.

In 2013, we created a new program which establishes the standards and procedures needed to prevent and detect poor corporate practices

Corporate Compliance

Abengoa's presence in more than 50 countries and ongoing pursuit of company process improvements spurred the organization to analyze **international practices**, norms and legal requirements developed specifically within the framework of Anglo-Saxon law and which are intended to detect and watch out for bad business practices.

As a product of this analysis, in 2013 the Corporate Compliance program, a set of internal procedures and norms of obligatory compliance, was drawn up for the primary purpose of reporting, preventing, pursuing and halting poor business practices.

The creation of this program fosters transparency and the generation of company value by augmenting the company's **control measures and instruments for good corporate governance**, which leads to a deeper commitment to the range of company stakeholders.

This program is directly responsible to the company's General Secretary, and safeguards the application by the [Board of Directors](#) and company management of any ethical and legal measures needed to evaluate and manage risks, in addition to ensuring that the company is compliant with prevailing legislation, and internal norms and regulations.

09

Good governance

Transparency and responsible practice constitute one of the underpinnings governing Abengoa's relationship with the company's stakeholders.

Transparency and anti-corruption

Abengoa upholds an unwavering commitment to implementing the best practices in corporate governance, backed by the values which govern the company's corporate culture. Noteworthy among such values are the following: honesty, integrity, good judgment and professional rigor, which implies constant effort dedicated to improving transparency in all activities and processes undertaken.

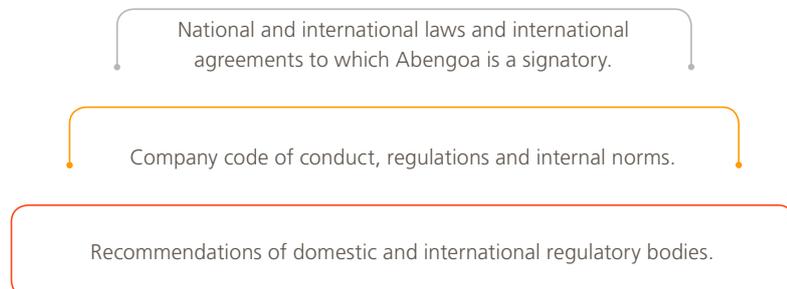
Commitment to anti-corruption

Abengoa has **mechanisms** and procedures in place to **prevent and detect fraudulent and corrupt practices**. These mechanisms have been incorporated into the common management systems of mandatory compliance by all staff members, and which are updated continually to ensure balance between business opportunities and appropriateness to risk management. Such mechanisms enable the company to achieve higher standards of corporate governance, both domestically and abroad.

In order to ensure proper **systems compliance**, all company employees periodically receive information on procedures to follow and channels for reporting any irregular activities.

Practices for preventing corruption

The company has a variety of anti-corruption mechanisms in place, including the following:



US Foreign Corrupt Practices Act

Abengoa continues to adhere to the provisions of the US Foreign Corrupt Practices Act (FCPA), which regulates the activities of companies operating in the United States (US), specifically, this law prohibits bribery and payments to officials of foreign governments for the purpose of gaining or retaining business.

This US regulation prohibits such activities not only in US territory, but rather on an **international level**. It also dictates that companies maintain accurate information and devise an internal accounting system with control mechanisms that are sufficiently consistent to reasonably assure an appropriate reflection of company asset operations and transfers.

[The US Department of Justice](#) is ultimately responsible for compliance with the FCPA, with the [Securities and Exchange Commission](#) (SEC) in charge of application of regulations to companies that are listed in the US, as is the case of Abengoa.

09

Good governance

This law supplements the internal control requirements established under Section 404 of the Sarbanes-Oxley (SOX) Act.

In 2013, **202 financial audit reports** were conducted at Abengoa and which included, among other aspects, reviews and analyses of corruption-related risks in companies determined as being material. A total of **32 legal audits** were also performed.

Abengoa's Code of Conduct is a key component of corporate culture

The company Code of Conduct

Abengoa has a professional Code of Conduct in place which defines employee working relationships at all levels, both within the company and in interacting with stakeholders. With a view to enhancing transparency and professional rigor, the code of conduct is available on the [corporate website](#), thereby making it accessible not only to employees, but to any individual who wishes to consult the code.

In order to promote knowledge of the availability and functioning of the whistleblower channels, in 2013 related specific training was developed for implementation in 2014.

The Code of Conduct is continually updated and, accordingly, modifications are made to adapt content to the company's reality. Thus, for example, in 2013 a new clause was added to reflect policy regarding accepting third-party gifts and leisure activities, requiring authorization for any cases which exceed € 40⁵.

In the interest of greater transparency, any changes made to the code are duly communicated throughout the organization immediately and with no exceptions.

Whistleblower channels

The whistleblower channels are **available** to all **company employees and stakeholders** to enable them to submit complaints or concerns regarding Abengoa management, and report breaches of the Code of Conduct or any other potential irregularities or acts contravening the ethics, legality and norms which govern the company.

In effect since 2007, these channels available to the entire company were devised pursuant to the specific requirements of the Sarbanes-Oxley Act and consist of two types:

- **Internal:** available to all employees for them to report any complaints or claims concerning financial statements or other reports, accounting matters, internal controls over the financial information reported, auditing matters or breaches of the Abengoa Code of Conduct.
- **External:** intended to enable anyone outside the company to report irregularities, fraudulent acts or conduct that contravenes the Abengoa Code of Conduct. This channel is available on the [Abengoa website](#).

The whistleblower channel policy guarantees the utmost **confidentiality** of whistleblowers and ensures the **absence of reprisals** for any claim made in good faith.

In 2013, the whistleblower channels recorded infringements of the code of conduct and cases involving irregular employee behavior. All information and communications received were handled in accordance with the internal procedures established for this purpose and have been resolved satisfactorily.

Note 5 Estimated conversion in euro, actual data: \$50.

09 Good governance

Due to Abengoa’s ever-growing international presence, claims and complaints taken in come from all geographical locations of company operation. Therefore, the geographical distribution of **claims submitted** is as follows:

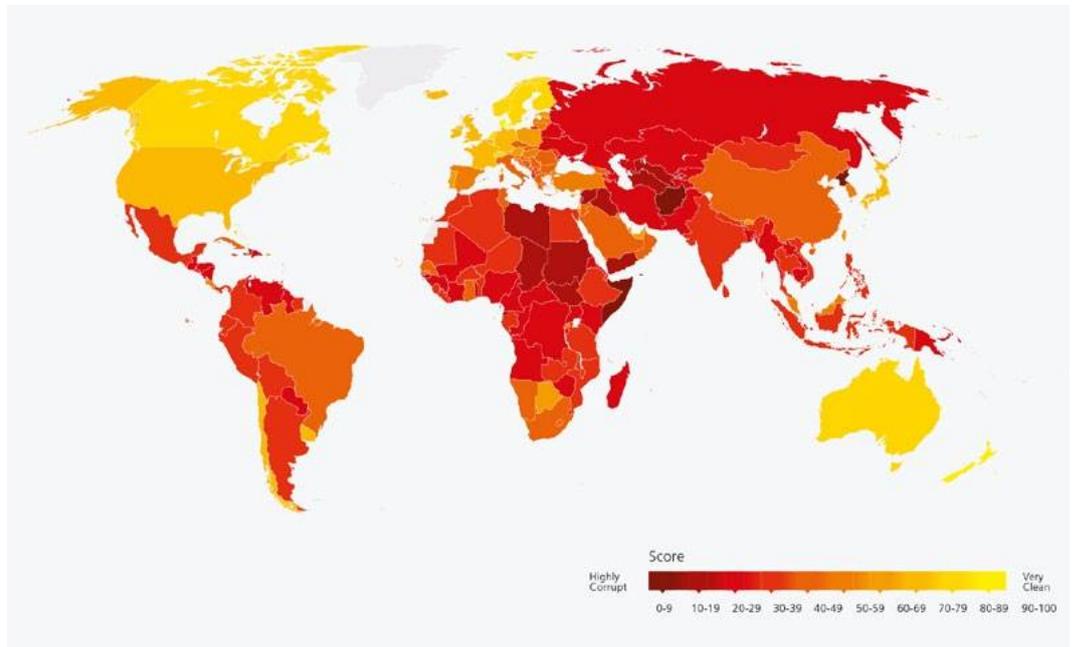
South America	33.33 %
Central America	16.66 %
Europe	16.66 %
Africa	16.66 %
Asia and the Middle East	16.66 %

The Fraud Prevention and Detection Unit is one of Abengoa’s most significant initiatives in mitigating business and financial risks

Audits for preventing and detecting fraudulent activities

The **Fraud Prevention and Detection Unit implemented** last year was consolidated in 2013 with the aim of identifying and mitigating the principal fraud-related risks to which the company is exposed.

Preventive fraud-related audits are a significant improvement with respect to previous years in that these audits are conducted according to a plan of action which includes geographical locations and business segments that are most susceptible to fraud, as well as a review of areas entailing greater risk relating to financial statements.



Map of the perception of corruption around the world. Source: Transparency International.

In 2013, the Fraud Prevention and Detection Unit was fully operational and conducted approximately **50 activities** in the company’s geographical locations of operation.

09

Good governance

Abengoa's public position

Abengoa participates in **scientific, technological and cultural events** of interest to the company in the areas, cities and regions where the company conducts its business.

Furthermore, any activity that could be treated as lobbying is handled through the support of the different professional associations operating in each sector of activity of Abengoa's business units.

In 2013, no financial or in-kind contributions were made to any political parties or related institutions.

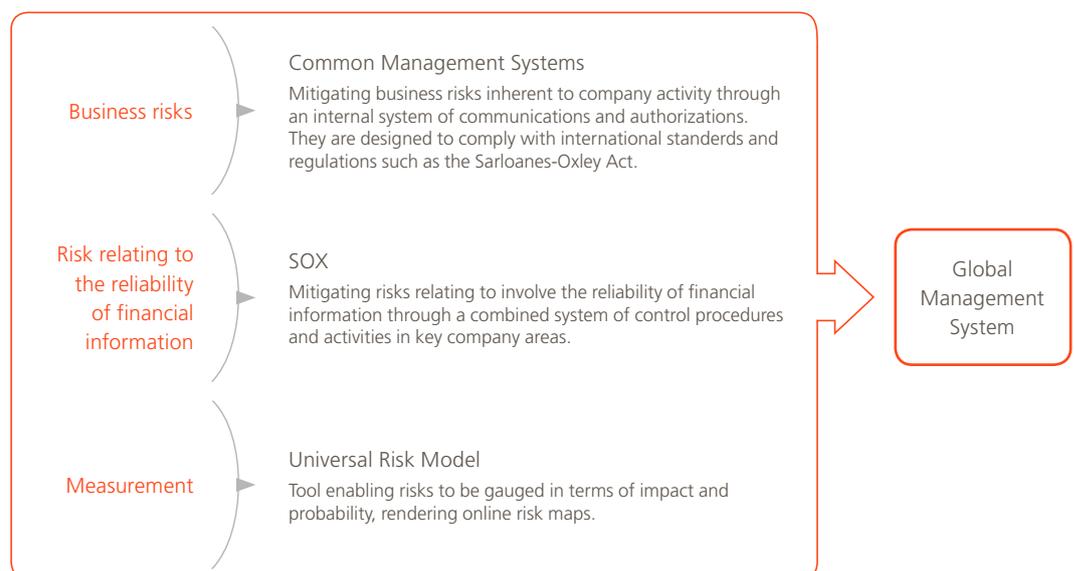
As the result of the tasks performed, there were no reports of any incidents involving corruption detected over the course of the year; no incidents occurred in relation to monopoly practices or breaches of free competition; and there were no reports of any fines or sanctions resulting from failure to comply with laws or regulations.

Risk control and rigor in management

In order to ensure effective company management and to secure a long-term future, in addition to a **strategic plan** in line with company objectives, crucial is proactive management of risks that are implicit in the company's business by means of prior localization and management of such risks, anticipating the best ways to mitigate them.

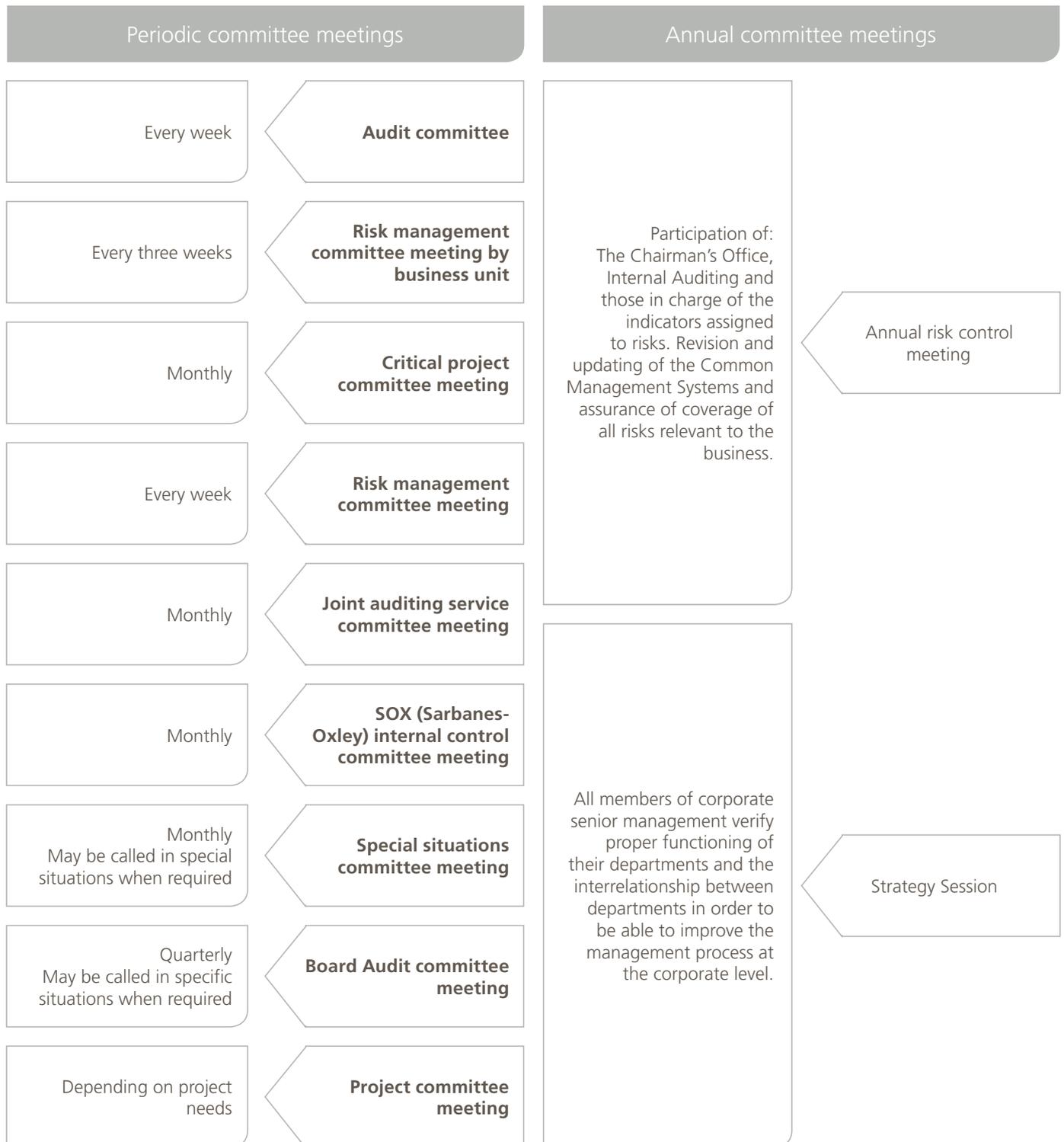
The company has its own **Global Risk Management System** in place. Forming part of the Common Management Systems, the system enables risks to be identified and controlled and is updated periodically so as to create a culture of common risks that helps meet the objectives set in this regard and gain the capability to adapt to mitigate any potential risks that may arise in today's globalized environment.

Compliance is ensured through verifications conducted by the Internal Auditing Department, and through the committee meetings held periodically with the company's senior management and the chairman's office.



09 Good governance

Committee meetings held in relation to Risk Management



09 Good governance

The Universal Risk Model

The Universal Risk Model (URM) is the methodology employed by Abengoa to identify, understand and assess risks that affect the company. The primary aim of the model is to gain a **global perspective of these risks**, designing an efficient system in line with the company's business objectives.

The URM comprises **56 risks** belonging to **20 different categories** and which are in turn grouped into 4 major areas: finance, strategy, regulations, and operations.

Universal Risk Model distribution schematic.



All of the risks included under the URM are evaluated on the basis of two major criteria:

1. **Probability of occurrence:** degree of frequency with which it can be assured that a given cause will bring about an event with a negative impact on Abengoa.
2. **Impact on the company:** set of negative effects on Abengoa's strategic objectives.

This information is gathered using a computer platform known as Archer eGRC. This application provides us with an overall picture of the risk situation of a specific organizational structure, facilitating computational analysis and understanding.

Work continued over the course of the year on data automation through connection with other corporate applications. This has become an information reporting application that enables understanding of risk calculation at a glance.

09

Good governance

MUR CSR risk consolidation

In 2013 the Corporate Social Responsibility risk, included in the Universal Risks Model, was reviewed. As input for its calculation the company introduced the results obtained in the annual CSR risks analysis which is performed for facilities deemed relevant for the organization and which is evaluated from three different perspectives: the nature of the facility itself, target non-performance and third party perception, 27 risks associated with three most relevant areas of the organization.

Risk 1	Risks associated with employee rights and dignity.
Risk 2	Risks associated with the personal and family needs of employees within family environment.
Risk 3	Risks associated with equal opportunities and the non-discrimination of employees.
Risk 4	Risks associated with compliance with the minimum legal age limit to work.
Risk 5	Risks associated with the freedom of association and collective bargaining of employees.
Risk 6	Risks associated with the public commitment to employee well-being and labour laws.
Risk 7	Risks associated with the training and capacity-building of employees.
Risk 8	Risks associated with attracting and retaining personnel.
Risk 9	Risks associated with the balance between personal and professional lives of employees.
Risk 10	Risks associated with health and safety conditions at the work environment.
Risk 11	Risks associated with the design and introduction of health and safety procedures.
Risk 12	Risks associated with plans of prevention, preparation and responding to emergencies like accidents or natural disasters.
Risk 13	Risks associated with third-party health and safety.
Risk 14	Risks associated with the ethics and integrity of the supply chain.
Risk 15	Risks associated with respect for human rights in the supply chain.
Risk 16	Risks associated with occupational health and safety of the supply chain.
Risk 17	Risks associated with regards to the environmental management of the supply chain.
Risk 18	Risks associated with the respect that security personnel have for human rights.
Risk 19	Risks associated with the negative impact the organization bears on local communities and their areas of influence.
Risk 20	Risks associated with traceability and transparency of philanthropic activities or of social commitment.
Risk 21	Risks associated with the negative environmental impacts borne by the activity.
Risk 22	Risks associated with the design and introduction of an environmental management system.
Risk 23	Risks associated with the emergency plans for managing environmental incidents.
Risk 24	Risks relating to impacts on the biodiversity.
Risk 25	Risks associated with the use of energy, water consumption and greenhouse gas emissions.
Risk 26	Risks associated with the strategy on the organization's climate change programs.
Risk 27	Risks associated with behavioural ethics in the performance of activities.

09 Good governance

