

F Internal risk monitoring and management systems in relation to the process of financial reporting (system of internal control over financial reporting) (SCIIF)

Describe the mechanisms entailed in the risks monitoring and management system in relation to the company's financial reporting (System of Internal Control over Financial Reporting) process.

F.1 The control environment of the company

Report on, pointing out the main characteristics of, at least:

F.1.1. The bodies and/or functions in charge of: (i) the existence and maintenance of an appropriate and effective SICFR; (ii) its introduction; and (iii) its supervision.

The System of Internal Control over Financial Reporting, (hereinafter, SICFR), is part of Abengoa's general system of internal control and is set up as a system prepared to provide reasonable assurance of the reliability of the published financial report. The body in charge of it, pursuant to the Regulations of Abengoa's Board of Directors, is the Board of Directors and, within it, the duty of supervision is conferred to the Audit Commission in accordance with its own regulations.

Thus, the Board of Directors is in charge of setting up and maintaining a compulsory Audit Commission as inferred from Article 27 of the Bylaws of the Board of Directors.

According to the foregoing Article, the functions entrusted by the Board of Directors to the Audit Commission, with regard to the SICFR, entail: "Monitoring the preparation process and the integrity of the financial report concerning the Company and, where applicable, the group of which Abengoa is parent company (hereinafter, the "Group"), verifying compliance with legal requirements and the correct application of accounting criteria, and appropriately specifying the scope of consolidation".

Additionally, and in accordance with the same Article, included among the functions of the Board and, by delegation, the Audit Commission, is that which entails "Periodically revising the internal control and risk management system so that the main risks, including those a fiscal nature, are identified, managed, and properly disclosed, as well as discussing significant shortcomings of the internal control system identified in the audit with the financial auditor".

F.1.2. Provide details of the following elements, if any, especially in relation to the process of elaborating the financial report:

Departments and/or mechanisms in charge of: (i) designing and revising the organizational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of duties and tasks; and (iii) ensuring the existence of sufficient procedures for its correct announcement throughout the entity.

As stipulated by the Board of Directors' Regulations, it is in charge of

- › Defining the structure of the Group of companies;
- › On the proposal of the company's Chief Executive, the appointment and possible dismissal of senior executives, as well as establishing the basic conditions of its contracts, including their remuneration and, where applicable, their compensation clauses.
- › The core components of its mission should be to approve the Company's strategy and the organization required for its execution, and to ensure that management attains the objectives while pursuing the Company's interests and corporate purpose.
- › Through the relevant departments, strive for the correct and integral announcement of the relevant information regarding the Company including but not limited to that related to the call for the General Shareholders' Meeting, its agenda and contents of the proposed agreements, relevant facts, agreements signed by the last General Shareholders' Meeting held, the internal regulations of corporate governance and the Annual Report. The means of communication will be the most adequate for ensuring that unrestricted announcements are made and in a timely manner, including the Company's webpage.

- › Code of conduct, body of approval, degree of publication and instruction, principles and values including (indicating whether there is specific mention of the recording of transactions and the elaboration of the financial report), body in charge of analyzing breaches and of proposing the correct actions and sanctions.

At Abengoa there is a code of ethics and professional conduct approved by the Board of Directors and available on the Intranet in both Spanish and English, which outlines the ethical and responsible behavior that must be assumed in the execution of Company activities and in managing the businesses, by the management team and all the professionals of Abengoa and its subsidiaries. Abengoa runs a continuous on-the-job training program in which Code of Conduct courses are given. It is compulsory for all employees to attend these courses and to show proof by signing attendance sheets, meanwhile the Company ensures that all Abengoa employees have received and understood said information.

Abengoa's Code of Conduct:

- The highest standards of honesty and ethical behavior, including appropriate and ethical procedures for dealing with actual or possible conflicts of interests between professional and personal relationships.
- The most complete, just, precise, timely and intelligible communication in all periodic reports that Abengoa must submit to the organs of Administration or in all reports that may be made.
- Compliance with the applicable laws, standards, rules and regulations.
- The tackling of actual or possible conflicts of interests and providing guidance to ensure that employees, managers and Directors report such conflicts to Abengoa.
- The interruption of the poor use or poor application of Abengoa's properties and business opportunities.
- The maximum level of confidentiality and fair trade in and outside Abengoa.
- The immediate internal reporting of any breach of said Code of Conduct and the appropriate reporting of all illegal behaviors.

All information made public and all media releases deemed to be affecting Abengoa must first be approved by the Board of Directors or by the manager who may have been previously entrusted with performing such duty.

Its appropriate follow-up is a source of profitability and security in the execution of the activities of Abengoa. These regulations ensure the veracity and reliability of the financial report.

The Board of Directors is in charge of, and, by virtue thereof, its Chairman, established Commissions, delegated commissions or, in turn, Managers entrusted therewith, the classification of the breaches of the Common Management Systems.

Whistle blowing channel, which enables reporting of irregularities of financial and accounting nature to the Audit Commission, in addition to possible breaches of the code of conduct and irregular activities in the organization. The reports may be filed confidentially.

An important aspect of responsibility and transparency is to provide a mechanism by which any interested party may safely and confidentially report irregularities, unethical or illegal conducts that, in his/her opinion, occur in the execution of the Company's activities.

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

- The reception, safeguard and treatment 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 the dubious or arguable policies of accounting and auditing.

In this sense, Abengoa has a double 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. The communication channel is by e-mail or ordinary mail.
- 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).

Abengoa and its various business groups have been operating a whistleblower channel since 2007. Pursuant to the requirements of the Sarbanes-Oxley Act, whereby interested parties may report possible irregularities on accounting, auditing or internal controls over financial

reporting, to the Audit Commission. A register is kept of all communications received in relation to the whistleblower, subject to the necessary guarantees of confidentiality, integrity and availability of the information.

Training programs and regular updates for the personnel involved in the preparation and revision of the financial report, as well as in the evaluation of the System of Internal Control over Financial Reporting, which should at least cover accounting regulations, auditing, internal risks monitoring and management.

The Human Resources Management works together with the Economic-Financial Management to impart regular training, both internally and externally, to the personnel involved in the preparation of the Financial Statements of the Group.

The training programs are fundamentally focused on the correct knowledge and update on the International Financial Reporting Standards (IFRS) and on the laws and other rules and regulations on the Internal Control over Financial Reporting (Common Management Systems).

Both the Internal Audits Management and the Global Risks Management keep themselves informed and up-to-date on the latest on Risks management and Internal Control, especially on Financial Reporting.

During the 2015 financial year, the Departments related to the preparation, revision and reporting of financial information received various publications of updates to the accounting and financial standards, internal control and tax, including courses by internal experts in relation to the update of accounting standards.

F.2 Financial reporting risk assessment

At least reporting the following:

F.2.1. Describe the main characteristics of the risks identification process, including those of error or fraud, with regards to:

If the process exists and is documented.

Abengoa has introduced a process for identifying and evaluating risks: the Universal Risks Model (URM) which is updated on a regular basis. This model numbers the risks identified by

the organization, classified into categories and sub-categories, assigns indicators to each to enable them to measure their probability and impact and to define the degree to which they may be tolerated.

And finally, the types of risks related to the accounting and submission of the financial report, the management of debt and equity financing, planning and budgeting and the tax strategy of transactions:

Indicate whether the process covers all of the objectives of financial reporting, (existence and occurrence; integrity; evaluation; presentation, breakdown and comparability; and rights and obligations), and whether it is updated and at what frequency.

The URM is designed to cover all risks that are identified. Among them there is a group that refer to the preparation and submission of the financial report, accounting records, the management of debt and equity financing, planning and budgeting and the tax strategy of transactions:

Identified risks are covered and mitigated by Abengoa's internal monitoring system. All risks previously linked with the process by which the financial information is prepared are under control in such a way that it may be guaranteed that the financial information appropriately adheres to the requirements of existence, occurrence, integrity, evaluation, presentation, breakdown and comparability.

Indicate whether there is a process for identifying the consolidation perimeter, considering, amongst other things, the possible existence of complex corporate structures, instrumental or special purpose entities.

The consolidation perimeter of Abengoa is subject to revisions during each quarterly closing. The Consolidation department is in charge of analyzing companies that enter and those that exit said perimeter. Both the creation and acquisition of companies, as well as their sale or dissolution, are subject to internal authorization processes that permit the clear identification of all entries and exits to and from the consolidation perimeter.

Indicate whether or not the process considers the effects of other types of risks (operational, technological, financial, legal, fiscal, reputation, environmental, etc.) in the manner in which they affect the financial statements.

As already mentioned, the URM is the methodology to identify, understand and assess the risks that may affect Abengoa. The purpose is to obtain an integral vision of them, designing an efficient system of response that is in line with the Company's business objectives.

It is made up of 56 risks belonging to 20 categories. These are grouped into 4 large areas (financial risks, strategic risks, regulatory risks and operational risks).

All the risks of the model are evaluated based on two criteria:

- Occurrence Probability: Degree of frequency at which to be sure that a specific cause will expose Abengoa to an event with negative impact.
- Impact on Entity: Set of negative effects on the strategic goals and objectives of Abengoa.

Which corporate governance body supervises the process?

The financial information preparation process is the ultimate responsibility of the Board of Directors. In accordance with the Board of Directors' Regulations, the integrity and exactitude of the financial reports presented to the Board of Directors for approval must first be certified by the Chairman of the company's Board of Directors and by the Director of the Department of Corporate Consolidation and Audits.

Likewise, as set forth in section F.5 of this document, the Board of Directors entrusts the Audit Commission with the duties of supervising the system of internal control and monitoring which ensures that the preparation of the financial information strictly follows the required standards.

F.3 Control Activities

Give a report on, pointing out the main characteristics, whether or not the following is at least included:

F.3.1. Procedures for reviewing and authorizing the financial reporting and the description of the System of Internal Control over Financial Reporting to be published in the stock markets, indicating those in charge, as well as the documents describing the cash flows of activities and controls (even in connection with fraud risks) of the various types of transactions that could substantially affect the financial statements, including the accounting closure proceedings and the specific revision of the judgments, estimates, assessments and relevant projections.

In accordance with the Board of Directors' Regulations, the integrity and exactitude of the Annual Accounts presented to the Board of Directors for approval must first be certified by the Chairman of the company's Board of Directors and by the Director of the Department of Corporate Consolidation and Audits.

Once the Board of Directors receives the corresponding reports and after the necessary clarifications, it shall clearly and precisely, in terms that aid comprehension of its content, prepare the annual accounts, the management report and the resolution on the application of the company's profit/loss outcome, as well as the consolidated annual accounts and management report, and the financial reports which the company must regularly publish, due to being a listed company, ensuring that these documents depict the true state of the asset, the financial situation and the profit and loss outcome of the company, in accordance with the stipulations of the applicable Law.

Before signing the annual accounts required by Law, the Directors shall keep a record of all the reservations they deem relevant. Otherwise, it will be understood that they had all the necessary information available to approve this preparation of the annual accounts.

Directors must sign statements of responsibility on the content of the annual financial report and, in turn, on any intermediate financial reports which the company must regularly publish due to being listed.

Thus, the Board of Directors will decide on and take as many actions and measures deemed necessary to ensure the Company's transparency on financial markets, promoting correct information on the prices of the Company's shares, supervising financial-related information regularly made public and performing as many duties as may be required due to the company's status as a listed company.

The process or structure effectively followed in certifying the financial report, done on a quarterly basis, reflects the manner in which the financial report is generated at Abengoa.

In this structure, the information to be reported is prepared by company heads, then revised by heads of the respective Business Units and by the respective Corporate area heads who certify both the reliability of the financial report on the area under their charge - which is what they submit for consolidation at group level- as well as the effectiveness of the internal control system set up to reasonably ensure this reliability. Finally, the Company's Chief Executive and the Directors of Internal Audits and Corporate Consolidation certify the reliability of the consolidated accounts to the Board of Directors in the quarterly Audit Commission. With the support of the management team in Internal Audits, this Commission

supervises the entire certification process, and then submits its conclusions from said analysis to the Board of Directors in the sessions when the accounts will be officially prepared. The information will then be published in the National Securities Market Commission (CNMV) once submitted to the Commission.

The legal consultants department of Abengoa SA meet regularly in committee with the different legal consultants of the various subsidiaries of Abengoa to be informed of the legal situations of ongoing litigations and later report to the Chairman's office where subsequent discussions are held during the Board of Directors meetings on the situations posing the most significant conflicts.

F.3.2. Policies and procedures of internal control of information systems (especially on safety and security of access, monitoring of changes, operating them, operational continuity and separation of functions) that back the entity's relevant processes with regards to the drafting and publication of the financial report.

Among the controls studied for mitigating or managing the risks of error in financial reporting are those related to the most relevant computer applications, like controls relating to user access permissions or to the integrity of information transfer between applications.

In addition, Abengoa follows guidelines or standards and procedures of internal control over information systems in relation to acquiring and developing software, acquiring systems infrastructure, installing and testing software, managing changes, managing service levels, managing services performed by third parties, systems security and access to them, managing incidents, managing operations, the continuity of operations and the segregation of functions. Said guidelines and procedures -which in some cases are different based on geographical scope and which are in the process of gradual homogenization- are applied to all information systems including those that house the relevant processes of the generation of financial report, and to the infrastructure necessary for its functioning.

In geographical areas where Abengoa operates, the entire internal network of computer infrastructure is controlled by a Department of internal professionals who are responsible for defining and executing the group's IT and telecommunications strategy, as well as user support, systems operation and IT security. Abengoa has an Internet Technology (IT) security system in place that envisages the recovery of relevant information in the event of a system crash. This security system is managed through the aforementioned internal IT Department.

F.3.3. Policies and procedures of internal control aimed at supervising the management of activities sourced out to third parties, including the aspects of evaluation, calculation or assessment entrusted to independent experts, which could materially affect the financial statements.

In general terms, Abengoa does not retain third party subcontractors to perform significant tasks that directly affect financial reporting. Third-party assigned assessments, evaluations or calculations that could materially affect the financial statements are considered activities deemed relevant for generating a financial report that may lead, as the case may be, to the identification of risks of priority errors, thus requiring the design of associated internal controls.

Abengoa has a method of approval through an authorization that grants Executive support which, among other things, must be acquired by the Department that needs to outsource a service. Such contracts are subject to reviews before being signed, including their analysis and internal approval of the fundamental hypothesis to be used.

F.4 Information and communication

Give a report on, pointing out the main characteristics, whether or not the following is at least included:

F.4.1. A specific function entrusted with defining, continuously updating accounting policies (area or department of accounting policies) and resolving doubts and conflicts derived from their interpretation, maintaining constant communication with those in charge of the transactions in the organization, continuously updating the accounting policies manual and reporting to the units through which the entity operates.

Abengoa operates with an Accounting Policies Manual. This manual establishes the accounting policies criteria that must be observed when the company is preparing the financial report using the financial reporting framework established by the International Financial Reporting Standards adopted by the European Union.

The manual is available to all employees of Abengoa.

The manual is also subject to regular updates for the purpose of including all new applicable rules and regulations. The department of Consolidations and Accounting Policies is responsible for updating the manual which was last updated during the 2015 financial year.

F.4.2. Mechanisms of collecting the information and preparing the financial report with standard formats to be applied to and used by all units of the Company or Group, which support the main financial statements and notes, as well as the information given on the SICFR.

All the entities that make up Abengoa's consolidated group use the same financial information reporting tools and applications, regardless of the information system being used for the maintenance of the accounting records. Said tools, which are regularly supervised by the Consolidation Department, ensure that the financial information reported by companies is complete, reliable and consistent. Thus, the information reported during the closing of financial years includes all breakdowns deemed necessary for the preparation of consolidated financial statements and their explanatory notes.

F.5 Supervision of system operation

Give a report pointing out the main characteristics of at least:

F.5.1. The activities of supervising the System of Internal Control over Financial Reporting performed by the Audit Commission, and on whether the entity has an internal audit system that is able to support the commission in supervising the internal control system, including the SICFR. Also provide information on the scope of the assessment of the SICFR during the financial year and on the process by which the head of the assessment reports the results, whether the entity has an action plan that outlines the possible corrective measures, and whether its impact on the financial reporting has been considered.

The Board of Directors is in charge of ensuring the appropriate registration of the operations in the accounting records, of maintaining a structure of internal control and accounting for the purpose of preventing and detecting errors and irregularities. In accordance with the Board of Directors' Regulations, the Audit Commission is entrusted with the following duties, amongst others:

- › To report on the Annual Accounts, as well as on the quarterly and half-yearly financial statements that must be issued to the regulatory or supervisory bodies of the securities markets, with express mention of the internal control systems, verification of compliance and monitoring through internal audit and, where applicable, on the accounting criteria applied.

- › Monitoring the preparation process and the integrity of the financial report with regards to the company and, where applicable, the group, verifying compliance with legal requirements and the correct application of accounting criteria, and appropriately specifying the scope of consolidation.
- › To periodically revise the internal control and risk management systems so that the main risks are identified, managed, and properly disclosed, as well as to discuss significant shortcomings of the internal control system identified in the audit with the financial auditor.
- › To supervise and ensure the independence and effectiveness of the duties of internal audits, with full access thereto; to propose the selection, appointment, re-selection and dismissal of heads of internal audits; to propose the budget for said unit, and set the salary scale of its Director; to obtain regular information on the activities and the budget of the unit; and to ensure that the senior management considers the conclusions and recommendations in its reports.

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

On the other hand, with regards to supervising the internal controls system, the aims of the internal audit duties are as follows:

- › To prevent the group companies, projects and activities from exposure to audits risks such as fraud, capital losses, operational inefficiencies and, in general, any risks that may affect the smooth operation of the business.
- › To ensure the continuous application of the standards, appropriate procedures and efficient management in accordance with the Common Management Systems.

Abengoa's internal audit department originated as an independent global function, reporting to the Board of Directors' Audit Commission, with the main aim of supervising Abengoa's internal monitoring and significant risk management systems.

Abengoa's internal audit service is structured around seven functional areas:

- › Internal control
- › Financial Auditing
- › Project Auditing
- › Monitoring Auditing of specific risks

- › Fraud Prevention Auditing
- › Non-Financial Auditing
- › Systems Auditing

The general goals of internal auditing are as follows:

- › To prevent the group companies, projects and activities from exposure to audits risks such as fraud, capital losses, operational inefficiencies and, in general, any risks that may affect the smooth operation of the business.
- › To ensure the continuous application of the standards, appropriate procedures and efficient management in accordance with the Common Management Systems.
- › To create value for Abengoa and its business units, promoting the construction and maintenance of synergies and the monitoring of optimal management practices.
- › To coordinate working criteria and approaches with external auditors to achieve optimum efficiency and profitability of both functions.
- › Analysis and processing of the complaints received through whistleblowing and reporting the conclusions of the work performed to the Audit Commission.
- › To evaluate the Companies' audit risk in accordance with an objective procedure.
- › To develop Work Plans using appropriate scopes for each situation.

Abengoa's internal auditor services are in line with the international standards for the professional practice of internal auditing of the Institute of Internal Audit (IIA).

Likewise, Abengoa has been a member of ACFE Corporate Alliance as of financial year 2014. This association helps companies with tools and specific training focused on the fight against fraud and corruption, as well as resources to obtain the CFE (Certified Fraud Examiner) certification for internal auditors assigned to this area.

F.5.2. Indicate whether or not there is a discussion procedure by which, (in accordance with the stipulations of the NTA), the accounts auditor, the internal audits' office and all the other experts, may inform the Company's senior management, its Audit Commission and its directors, on the significant weaknesses identified in the internal control during the revision of the financial statements or of all other documents to which they were assigned. Also report on whether or not there is an action plan for correcting or mitigating the weaknesses uncovered.

The internal audit office regularly informs senior management and the Audit Commission about the weaknesses identified regarding internal control in revisions performed on the processes during the financial year, and on the implementation of the action plans put in place to ensure the mitigation of said weaknesses.

On the other hand, the accounts auditor of the group retains direct access to the group's senior management, holding regular meetings both to obtain the information necessary for the execution of its duties as well as to report on the weaknesses detected in (internal) control during the auditing. External auditors will submit an annual report to the economic-financial director and the Audit Commission detailing the weaknesses they detected regarding internal control while carrying out their work.

F.6 Other relevant information

During the 2015 financial year, the external auditors issued the following reports which are an integral part of the Annual Report:

- › Audit report on the consolidated accounts of the Group, as required by regulations.
- › Audit report on internal audit compliance under PCAOB (Public Company Accounting Oversight Board) standards, as required under section 404 of the Sarbanes-Oxley Act (SOX)

F.7 Report from the External Auditor

Issue report on:

F.7.1. whether the external auditor revised the SICFR information issued to the markets and, if so, the entity must include the corresponding report as annex but, if not, it must provide the reasons.

Abengoa applies all the rules and regulations dictated by the (CNMV) Stock Market Authorities. This fact implies that for the past six financial years Abengoa has been strictly complying with the reference indicators included in the document of the CNMV's "Systems of Internal Control over Financial Reporting.

Voluntarily since 2007 and mandatorily as of 2014, Abengoa has submitted its internal control systems to an independent external evaluation which issues an audit opinion under the PCAOB (Public Company Accounting Oversight Board) standards, and also to audits to ascertain compliance with section 404 of the Sarbanes-Oxley Act (SOX). This standard is a compulsory law for all companies listed in the United States and is aimed at ensuring the reliability of the financial reporting of these companies and at protecting the interests of their shareholders and investors, by setting up an appropriate internal control system.

The auditor of the individual and consolidated annual financial statements of Abengoa, for the financial year ending Thursday, December 31, 2015, is Deloitte S.L. which is also the Group's main auditor.