

G Degree of compliance with corporate governance recommendations

Indicate the company's degree of compliance with the recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not or is only partially followed, the Company should include a detailed explanation of its reasons in such a way that the shareholders, investors and the market in general, are provided with sufficient information to assess the performance of the company. Explanations of a general nature shall not be acceptable

1. The Bylaws of listed companies should not limit the votes that can be cast by a single shareholder, nor impose other obstacles to impede the takeover of the company by means of share purchases on the market.

Compliant

See sections: A.10, B.1, B.2, C.1.23 and C.1.24

2. If a parent and a subsidiary company are listed, both should provide detailed disclosure on:

- › a) Their respective types of activities, and any business dealings between them, including between the listed subsidiary and other companies in the group;
- › b) The mechanisms in place to resolve possible conflicts of interest.

Compliant

See sections: D.1, D.4 and D.7

3. During the annual general meeting the Chairman of the Board should verbally inform shareholders in sufficient detail of the most relevant aspects of the Company's corporate governance, supplementing the written information circulated in the annual corporate governance report, in particular:

- › a) Changes taking place since the previous Annual General Meeting.

- › b) The specific reasons why the company does not follow any Good Governance Code recommendations and, if applicable, any alternative procedures followed in its stead.

Explain

Since a recommendation was included in the new Code of Good Governance of February 2015, published on a date when the Company's Annual General Meeting for the 2015 financial year had already taken place, the Company will comply with this recommendation in the next General Shareholders' Meeting to be held in the 2016 financial year.

4. The Company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the Company's website, complete with details of how it has been put into practice and the identities of the relevant players or those responsible for its implementation.

Partially compliant

The Company strictly complies with the market abuse regulations and assures that it treats all shareholders equally who are in the same situation, even though there was no communication policy or contact with shareholders, institutional investors and proxy advisors during the 2015 financial year.

After the close of the financial year, by virtue of a decision made by the Board of Directors dated 30 March 2016, the company approved a communication policy and contact with shareholders, institutional investors and proxy advisors. This policy is published on the company's corporate website.

5. The Board of Directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20 % of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its

website explaining the exclusion as envisaged in company legislation.

Partially compliant

The proposal for the delegation of powers to issue shares or convertible securities presented by the Board of Directors before the 2015 financial year General Meeting does not comply with this recommendation given that the financial structure of the Company and the need to maintain sufficient levels of own funds compared to its volume of activity and its market position, which requires flexibility to undertake this kind of issuance at any time, the Company has deemed it necessary for the delegation to be for the maximum amount permitted by law.

Notwithstanding the foregoing, the mandatory reports on the exclusion of pre-emptive subscription rights which the commercial law makes reference to concerning the delegations currently in force were published immediately and are available on the Company's website.

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the Annual General Meeting, even if their distribution is not obligatory:

- › a) Report on auditor independence.
- › b) Reviews of the operation of the Audit Commission and the Appointment and Remuneration Commission.
- › c) Audit Commission report on third-party transactions.
- › d) Report on Corporate Social Responsibility Policy.

Partially compliant

The Company draws up a report on auditor independence (included in the Audit Commission Report that is published as part of the Annual Report), annual reports on the operation of the commissions, as well as an annual report on Corporate Social Responsibility.

Insofar as the report on connected transactions is concerned, the Audit Commission is obliged to report on related-party transactions and, as a matter of fact, this is the case in practice as all of the relevant information is outlined in the minutes of the Commission's minutes. In addition, the Company reports on the connected transactions made during the period set forth in the Annual Report on Corporate Governance.

However, in the 2015 financial year, only the following reports, forming part of the 2014 Annual Report, were published on their website with enough notice before the Annual General Meeting: (i) the Audit Commission Report; and (ii) the Report on Corporate Social Responsibility.

The reports mentioned in this recommendation are expected to be published on the website with sufficient notice for the 2016 Annual General Meeting.

7. The company should broadcast its general meetings live on the corporate website.**Explain**

The company did not broadcast the General Shareholders' Meetings held in 2015 live through the website, nor does it plan to broadcast those held in 2016. Nevertheless, the company sufficiently publicizes the General Shareholders' Meetings on the BORME [Official Gazette of the Commercial Registry], the CNMV website and its own corporate website. Likewise, the Company, in line with the legislation in force and its own internal regulations, facilitates participation of all shareholders at the General Meeting having recently included in its internal regulations the possibility to attend general meetings via remote online communication

8. The Audit Commission should strive to ensure that the Board of Directors can present the Company's accounts to the General Meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the Chairman of the Audit Commission and the auditors should give a clear account to shareholders of their scope and content.

Partially compliant

Among other duties, the Audit Commission is obliged to liaise with the external auditor, regularly receive information from him/her regarding the auditing plan and results of its implementation, and verify that senior management adheres to the recommendations and therefore the Company partially complies with this recommendation. However, in order to guarantee that the Audit Commission wholly complies with this obligation, after the close of the financial year, by virtue of a decision made by the Board of Directors dated 30 March 2016, the Board of Directors' Regulations and the Audit Commission's Regulations were amended to expressly include this function within the framework of their competencies.

9. The Company should publish its conditions and procedures for admitting share ownership, the right to attend General Meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the General Meeting, the Company should:

- › a) Immediately circulate the supplementary items and new proposals.
- › b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the Board of Directors.
- › c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the Board of Directors, particularly regarding presumptions or deductions about the direction of votes.
- › d) After the General Shareholders' Meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Not applicable.

In the General Meetings held during the financial year 2015 no shareholder exercised such right.

11. In the event that a company plans to pay for attendance at the General Meeting, it should first establish a general, long-term policy in this respect.

Not applicable.

In the General Meetings held during 2015 no pay for attendance were processed.

12. The Board of Directors should perform its duties with unity of purpose and

independent judgment, treating all shareholders equally who are in the same position. It should be guided at all times by the Company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximizing its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Compliant

The Board of Directors should perform its duties with unity of purpose and independent judgment, according the same treatment to all shareholders in the same position. It should be guided at all times by the Company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximizing its economic value. Likewise, it should ensure that the Company abides by the laws and regulations in its dealings with stakeholders; performing its obligations and contracts in good faith; respecting the customs and good practices of the sectors and territories in which it operates; and upholding any additional social responsibility principles to which it may have voluntarily subscribed.

13. The Board of Directors should have an optimal size to operate efficiently and maximize participation. The recommended range is between five and fifteen members.

Compliant

See section: C.1.2.

14. The Board of Directors should approve a director selection policy that:

- › a) Is concrete and verifiable;
- › b) Ensures that appointment or re-election proposals are based on a prior analysis of the Board's needs.
- › c) Favors a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the Appointment Commission's explanatory report, to be published when the General Meeting that will ratify the appointment and re-election of each director is convened.

The director selection policy should pursue the goal of having at least 30 % of total board places occupied by women directors before the year 2020.

The Appointment Commission should run an annual check on compliance with the director selection policy and set out its findings in the Annual Report on Corporate Governance.

Partially compliant

Although the company did not have a director selection policy approved in the 2015 financial year, in practice, the Company's selection policy considers both the needs of the Board of Directors as well as the diversity of knowledge, experience and gender, making sure that the selection procedure refrains from implicit biases that may hinder the inclusion of female directors. In addition, the Board of Directors issues a report upon every appointment and based on a previous report from the Appointments and Remunerations Commission with regard to the candidate in question.

After the close of the financial year, by virtue of a decision made by the Board of Directors dated 30 March 2016, the Company approved a director selection policy which complies with the criteria of the recommendation in the Code of Good Governance.

15. Proprietary and independent Directors should occupy an ample majority of board places, while the number of executive Directors should be the required minimum bearing in mind the complexity of the corporate group and the percentage of ownership the executive Directors hold in the equity.

Compliant.

See section C.1.2 and C.1.3

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

- › a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- › b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Compliant

See section C.1.2 and C.1.3

17. Independent directors should be at least half of all Directors.

However, when the company does not have a large market capitalization, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.

Compliant.

See section C.1.2 and C.1.3

18. Companies should disclose the following details of directors on their websites and keep them regularly updated:

- › a) Background and professional experience.
- › b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- › c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or with whom they have links.
- › d) Dates of their first appointment as a Director and subsequent re-elections.
- › e) Shares held in the company, and any options thereon.

Compliant

19. Following verification by the Appointments Commission, the Annual Corporate Governance Report should disclose the reasons for the appointment of proprietary directors at the request of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Partially compliant

Although the Annual Corporate Governance Report explains the reasons for the appointment of proprietary directors at the request of shareholders controlling less than 3 percent of capital, as well as the reasons for rejection of formal requests for a board place from shareholders whose equity stake is equal to or greater than that of others who applied and were successfully appointed as proprietary directors, the Appointments and Remuneration Commission did not explicitly include the function of verifying the annual corporate governance report in its regulations.

Notwithstanding the foregoing, after the close of the financial year, by virtue of a decision made by the Board of Directors dated 30 March 2016, the Company approved an amendment to article 28 of the Board of Directors' Regulations and article 3 of the Appointments and Remuneration Commission's Regulations to expressly reflect this function of the Appointments and Remuneration Commission.

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter category's number should be reduced accordingly.

Compliant.

The Company effectively complies with this recommendation. Notwithstanding the foregoing, after the close of the financial year, by virtue of a decision made by the Board of Directors dated 30 March 2016, the Company approved an amendment to article 13 of the Board of Directors' Regulations to expressly include this case of dismissal of proprietary Directors.

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the Appointment Commission In particular,

just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a Director, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in Directorship ensue from the proportionality criterion set out in recommendation 16.

Compliant

The Company effectively complies with this recommendation. Notwithstanding the foregoing, after the close of the financial year, by virtue of a decision made by the Board of Directors dated 30 March 2016, the Company approved an amendment to article 13 of the Board of Directors' Regulations to expressly include this recommendation regarding independent Directors.

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organization's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Compliant

The Board of Directors' Regulations establish that, as part of the duty of loyalty amongst other obligations therein, Directors must inform the company of all legal and administrative claims as well as any others that, given their magnitude, may severely affect the reputation of the Company. Therefore, it is established that whenever any Director is severely penalized by any public authority for having breached their obligations as Directors, they are obliged to surrender their post to the Board.

As a result, the Company has established the appropriate channels in order to ensure their image and reputation are safeguarded at all times.

Notwithstanding the foregoing, after the close of the financial year, by virtue of a decision made by the Board of Directors dated 30 March 2016, the Company approved an amendment to articles 13 and 14 of the Board of Directors' Regulations to expressly include these obligations concerning Directors.

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Compliant

24. Directors who give up their position before their tenure expires, by resignation or otherwise, should state the reasons in a letter remitted to all Directors. Regardless of whether such resignation is filed as a significant event, the reason must be explained in the annual corporate governance report.

Compliant

25. The Appointment Commission should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The Board of Directors regulations should lay down the maximum number of company boards on which directors can serve.

Partially compliant

Abengoa ensures that Directors dedicate the necessary time and effort to their role. In addition, all Abengoa Directors carry out their Director roles exclusively for the Company, and are not Directors of any other listed companies that do not belong to the Group

Notwithstanding the foregoing, after the close of the financial year, by virtue of a decision made by the Board of Directors dated 30 March 2016, the Company approved an amendment to article 14 of the Board of Directors' Regulations to expressly include the maximum number of company boards (excluding companies belonging to the Group) on which directors can serve.

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Compliant

See section: C.1.29.

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Compliant

See sections C.1.29 and C.1.30

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Compliant

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Compliant

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programs when circumstances so advise.

Compliant

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly recorded in the minutes, of the majority of directors present.

Compliant.

The Board of Directors sessions are announced with sufficient notice, whereby all items on the agenda are clearly indicated and all information required to enable the Directors to prepare for the sessions is provided through the "Director portal". In terms of the decisions or agreements that are not included on the agenda but which are effectively subject to majority consent, this recommendation was not included in the Company's internal rules on governance in the 2015 financial year.

Notwithstanding the foregoing, after the close of the financial year, by virtue of a decision made by the Board of Directors dated 30 March 2016, the Company approved an amendment to article 10 of the Board of Directors' Regulations to expressly include that when, for reasons of urgency, the chairman wishes to present decisions or resolutions for board approval that were not on the meeting agenda, this will require the express prior consent, duly recorded in the minutes, of the majority of directors present.

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Compliant

33. The chairman, as the person charged with the efficient functioning of the Board of Directors, in addition to the functions assigned by law and the company's bylaws,

should prepare and submit to the board a schedule of meeting dates and agendas; organize and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Partially compliant

The Company effectively complies with this recommendation.

Notwithstanding the foregoing, after the close of the financial year, by virtue of a decision made by the Board of Directors dated 30 March 2016, the Company approved an amendment to article 21 of the Board of Directors' Regulations to expressly include these functions within the powers of the Chairman of the Board of Directors.

34. When a lead independent director has been appointed, the bylaws or Board of Directors regulations should grant him or her the following powers over and above those conferred by law: chair the Board of Directors in the absence of the chairman or vice chairman give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Partially compliant

The Company effectively complies with this recommendation.

Notwithstanding the foregoing, after the close of the financial year, by virtue of a decision made by the Board of Directors dated 30 March 2016, the Company approved an amendment to article 21 of the Board of Directors' Regulations to expressly include these functions within the powers of the Coordinating Director.

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Partially compliant

The Company effectively complies with this recommendation.

Notwithstanding the foregoing, after the close of the financial year, by virtue of a decision made by the Board of Directors dated 30 March 2016, the Company approved an amendment to article 23 of the Board of Directors' Regulations to expressly include these functions within those performed by the Secretary of the Board.

36. The Board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- › a) The quality and efficiency of the Board's operation.
- › b) How its commissions operate and who is in them.
- › c) The diversity of Directorship and competences making up the Board.
- › d) The performance of the Chairman of the Board of Directors and the Company's Chief Executive.
- › e) The performance and contribution of individual Directors, paying close attention to the heads of the various Board Commissions.

The evaluation of board commissions should start from the reports they send the Board of Directors, while that of the board itself should start from the report of the Appointment Commission.

Every three years, the Board of Directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the Appointment Commission.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Partially compliant

The Board of Directors undergoes an annual performance evaluation procedure, establishing a plan of action to correct the shortcomings detected.

Notwithstanding the foregoing, after the close of the financial year, by virtue of a decision made by the Board of Directors dated 30 March 2016, the Company approved an amendment to articles 4 and 28 of the Board of Directors' Regulations to expressly include the requirement for assistance from an external consultant at least once every three years to carry out the evaluation.

37. When an executive commission exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive commission.

Not applicable.

38. The Board should be kept fully informed of the business transacted and decisions made by the executive commission. To this end, all Directors should receive a copy of the commission's minutes.

Not applicable.

39. All members of the Audit Commission, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of Commission places should be held by independent directors.

Compliant

See section: C.2.1.

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the Audit Commission, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the Audit Commission.

Partially compliant

The Company has an internal audit unit which ensures that the internal reporting and control systems work properly although it does not functionally report to the chairman of the Audit Commission, rather to the Commission itself as a whole. Nonetheless, this effectively does not affect compliance of its duties with the required independence of judgment since, among other issues, the Audit Commission is made up entirely of independent directors.

Notwithstanding the foregoing, after the close of the financial year, by virtue of a decision made by the Board of Directors dated 30 March 2016, the Company approved an amendment to article 27 of the Board of Directors' Regulations and article 3 of the Audit Commission's Regulations to reflect that the internal audit unit reports to the Chairman of the Audit Commission.

41. The head of the unit handling the internal audit function should present an annual work program to the Audit Commission, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Compliant

42. The Audit Commission should have the following functions over and above those legally assigned:

- › **1. With respect to internal control and reporting systems:**
 - **a) Monitor the preparation process and the integrity of the financial information relating to the company and, where appropriate, the group, checking for compliance with legal provisions, accurate demarcation of the consolidation perimeter, and correct application of accounting principles.**
 - **b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programs, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular information on its activity; and verify that senior management are acting on the findings and recommendations of the reports.**
 - **c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.**
- › **2. With regard to the external auditor:**
 - **a) Investigate the issues leading to the resignation of the external auditor, should this come about.**

- **b) Ensure that the remuneration of the external auditor does not compromise their quality or independence.**
- **c) Ensure that the company notifies any change of external auditor to the CNMV as a relevant fact, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.**
- **d) Ensure that the external auditor has a yearly meeting with the board in full to inform them of the work undertaken and developments in the company's risk and accounting positions.**
- **e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and, in general, other requirements concerning auditor independence.**

Partially compliant

As is stated in the Board of Directors' Regulations, as well as in the Audit Commission's Regulations, the latter has been entrusted with the vast majority of the duties set out in this recommendation. Effectively, this commission, whether directly or with the help of the internal audit unit, is responsible for supervising and monitoring the internal reporting and control systems, as well as relations with the external auditor.

Notwithstanding the foregoing, after the close of the financial year, by virtue of a decision made by the Board of Directors dated 30 March 2016, the Company approved an amendment to article 27 of the Board of Directors' Regulations and article 3 of the Audit Commission's Regulations to expressly reflect the functions of the Audit Commission included in this recommendation.

43. The Audit Commission should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant

44. The Audit Commission should be informed of any fundamental changes or corporate transactions the company is planning, so the commission can analyze the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Compliant

45. Risk control and management policy should identify at least:

- › a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion of contingent liabilities and other off-balance-sheet risks under financial or economic risks.
- › b) The determination of the risk level the company sees as acceptable.
- › c) The measures in place to mitigate the impact of identified risk events should they occur.
- › d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Compliant

See section E.

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

- › a) Ensure that risk control and management systems are functioning correctly and, more specifically, that any major risks the company is exposed to are correctly identified, managed and quantified.
- › b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- › c) Ensure that risk control and management systems are mitigating risks effectively in the framework of the policy drawn up by the Board of Directors.

Partially compliant

Although Abengoa has a department that deals with the function of risk control and management, said function was not under the direct supervision of the Audit Commission.

Notwithstanding the foregoing, after the close of the financial year, by virtue of a decision made by the Board of Directors dated 30 March 2016, the Company approved an amendment to article 27 of the Board of Directors' Regulations and article 3 of the Audit Commission's Regulations to expressly reflect that the function of risk control and management is now under the direct supervision of the Audit Commission.

47. Appointees to the Appointment and Remuneration Commission – or of the Appointment Commission and Remuneration Commission, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Compliant

See section: C.2.1.

48. Large cap companies should have separate Appointments and Remunerations Commissions.

Explain

The Company has not yet included this recommendation given that the members of the commissions would be the same and the issues to be dealt with would be very closely linked.

49. The Appointments Commissions should consult the Chairman of the Board and the company's Chief Executive, especially on matters relating to Executive Directors.

When there are vacancies on the board, any director may approach the Appointment Commission to propose candidates that it might consider suitable.

Compliant

50. The remuneration commission should operate independently and have the following functions in addition to those assigned by law:

- › a) Propose the basic conditions for senior officer contracts to the board.

- › **b) Monitor compliance with the remuneration policy set by the company.**
- › **c) Periodically review the remuneration policy for Directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other Directors and senior officers in the company.**
- › **d) Ensure that any potential conflicts of interest do not undermine the independence of any external advice given to the commission.**
- › **e) Verify the information on Director and senior officers' pay contained in various corporate documents, including the annual report on Directors' remuneration.**

Partially compliant

As is stated in the Board of Directors' Regulations and in the Appointments and Remunerations Commission's Regulations, the latter has been entrusted with the vast majority of the duties set out in this recommendation and effectively performs all of them.

Notwithstanding the foregoing, after the close of the financial year, by virtue of a decision made by the Board of Directors dated 30 March 2016, the Company approved an amendment to article 28 of the Board of Directors' Regulations and article 3 of the Appointments and Remunerations Commission's Regulations to expressly reflect the functions of the Appointments and Remunerations Commission included in this recommendation.

51. The remuneration commission should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant

52. The terms of reference of supervision and control commissions should be set out in the Board of Directors regulations and aligned with those governing legally mandatory board commissions as specified in the preceding sets of recommendations. They should include at least the following terms:

- › **a) Commissions should be formed exclusively by non-executive Directors, with independent Directors in the majority.**
- › **b) They should be chaired by independent directors.**
- › **c) The board should appoint the members of such commissions with**

regard to the knowledge, skills and experience of its Directors and each commission's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each commission meeting.

- › **d) They may seek external advice whenever they consider necessary in order to carry out their duties.**
- › **e) Minutes of all meetings should be taken and a copy made available to all Directors.**

Partially compliant

The company effectively complies with all of these recommendations with the exception of the recommendation stating that the commissions should be made up of non-executive Directors, since one of the members of the Investment Commission is an executive Director.

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board commission or split between several, which could be the audit commission, the Appointment Commission, the corporate social responsibility commission, where one exists, or a dedicated commission established ad hoc by the board under its powers of self-organization, with at the least the following functions:

- › **a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.**
- › **b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.**
- › **c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.**
- › **d) Review the company's corporate social responsibility policy, ensuring that it is geared towards value creation.**
- › **e) Monitor corporate social responsibility strategy and practices and assess the extent of their compliance.**
- › **f) Monitor and evaluate the company's interaction with the various groups of stakeholders.**

- › **g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.**
- › **h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.**

Partially compliant

The company effectively complies with this recommendation as the Board of Directors, whose duties include establishing general company policies and strategies, is supported by the Audit Commission regarding performing their duties.

Notwithstanding the foregoing, after the close of the financial year, by virtue of a decision made by the Board of Directors dated [X] March 2016, the Company approved an amendment to article 27 of the Board of Directors' Regulations and article 3 of the Audit Commission's Regulations to expressly reflect the functions included in this recommendation as pertaining to the Audit Commission.

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- › **a) The goals of its corporate social responsibility policy and the support instruments to be used.**
- › **b) The corporate strategy with regards to sustainability, the environment and social issues.**
- › **c) Specific practices in matters relating to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and prevention of unlawful conduct.**
- › **d) The methods or systems for monitoring the results of the specific practices referred to above, and identifying and managing related risks.**
- › **e) The mechanisms for monitoring non-financial risk, ethics and business conduct.**
- › **f) Channels for stakeholder communication, participation and dialogue.**
- › **g) Responsible communication practices that prevent the manipulation of information and protect the company's honor and integrity.**

Compliant

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Compliant

56. Director remuneration should be sufficient to attract and retain individuals with the desired profile and compensate the commitment, skills and responsibility that the post demands, but not so high as to compromise the independent judgment of non-executive directors.

Compliant

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- › **a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.**
- › **b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.**

- › c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Compliant

59. A large part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Non-compliant

The variable compensation policy does not provide for a large part of the variable remuneration components being deferred for a long enough period to ensure that predetermined performance criteria have effectively been met, notwithstanding the fact that it can be provided for once the Company has overcome its present circumstances.

60. Remuneration linked to company earnings should consider the possible deductions reflected in the external auditor's report and should reduce said results.

Compliant.

61. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Non-compliant

As of 31 December 2015, the variable remuneration of Abengoa's executive directors does not specifically include the award of shares or share-based financial instruments. Accrual of compensation corresponding to multi-annual extraordinary variable compensation schemes that the Chief Executive is a beneficiary of and, therefore, his right to receive it (but not the compensation amount in itself) depends on the market value of Abengoa's class B shares not falling below certain values in the last quarter that each scheme is in force. Consequently, Abengoa considers that the characteristics of the variable compensation linked to these schemes do not comply with Recommendation 61 of the Code.

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Not applicable

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Compliant

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Compliant