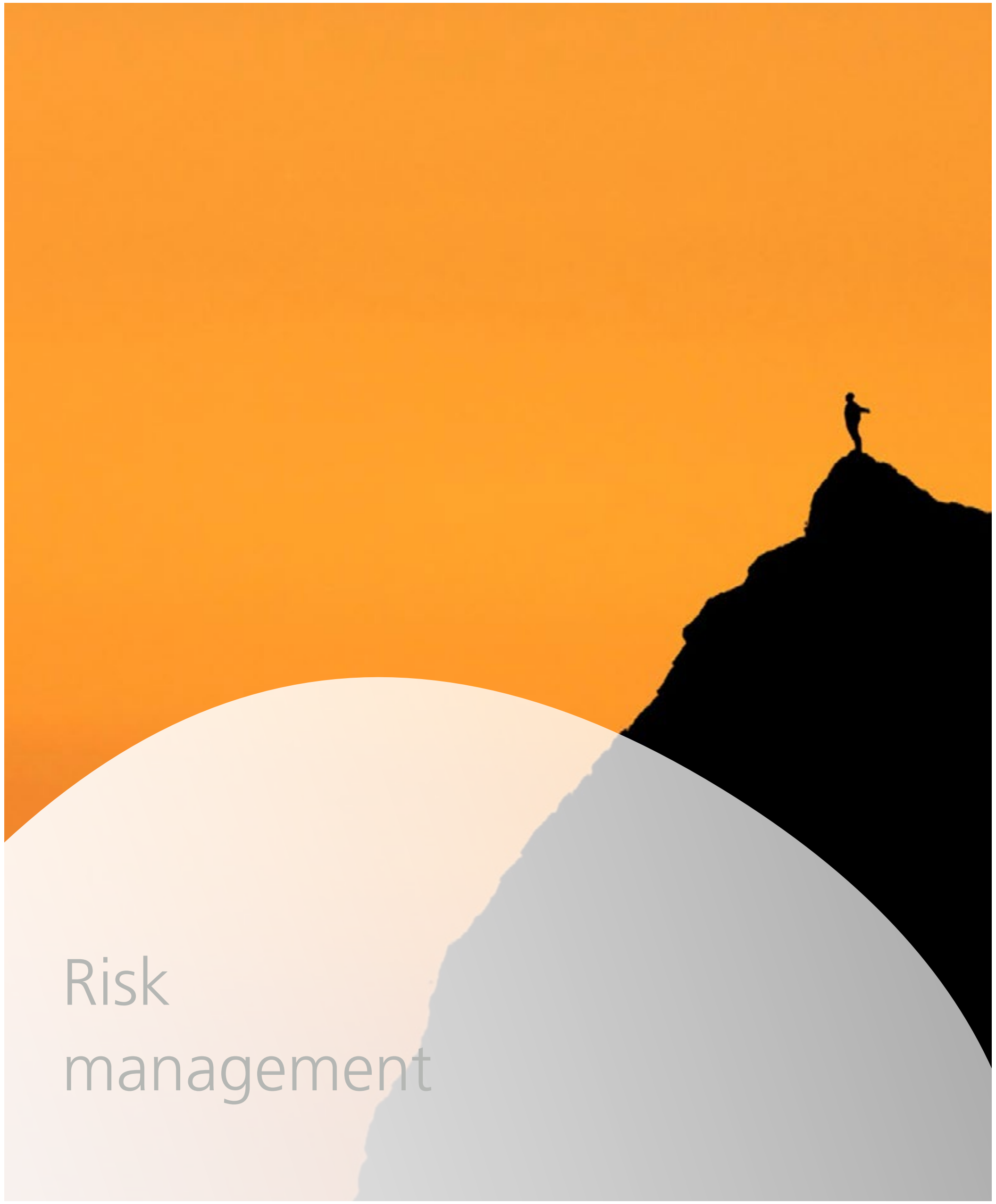

At Abengoa we are keenly aware of the importance of properly managing the risks that may arise, enabling us to comply with the strategic plan and achieve the business objectives set.

Thus, the company shows its commitment to risk management as one of the main and **essential** functions for decision-making.

Abengoa believes that a robust system of **risk management** and **its integration into the business** is a source of **competitive advantage** and acts as a key tool in achieving the objectives and compliance with quality standards demanded by customers, minimising any emerging risks.

Thus, risk management begins with the identification and parameterization of the risks that may affect any business opportunity prior to its commencement, establishing its tolerance to risk and likelihood of occurrence.

Once these risks have been identified and parameterized, the Risk Management Department defines the most appropriate mitigation measures for each type of risk. This enables the organisation to reduce the likelihood of occurrence and its impact on the organisation, as well as allowing the action plans to be anticipated in cases where the risk materializes. *G4-14*

Risk management policy

The principles that regulate Abengoa's risk management policy are:

- Risks must be **managed at all levels of the company**, without exception.
- Decisions always have a **shared responsibility and consensus**.
- Abengoa's risk management system forms an integral part of:
  - The organisation's **strategic planning** process.
  - The definition of **business objectives**.
  - **Daily operations** to achieve those objectives.
- Risk management includes **identification, assessment, response**, **monitoring** or follow-up and **reporting** in accordance with the procedures targeted at that end.
- The risk **responses** must be **consistent** and fully suited to business conditions and the economic environment.
- Management should **periodically evaluate** the assessment of its risks and the responses that have been designed.
- There will be regular **monitoring** and reporting in accordance with the activities of identification, assessment, response, monitoring and reporting that includes Abengoa's Risk Management System.

Risk Management System

The **Risk Management System (RMS)** of Abengoa is characterized by a global, comprehensive, dynamic and systematic approach, and it allows **control and identification of risks**, the creation of a **common culture** that facilitates the achievement of objectives in this area, and has the **capacity** for both **performance** and **adaptation**.

Key elements of the Global Risk Management System

Integration into the business	Specialisation	Dynamism	Continuous measurement	Annual external validation
All management procedures identify the risks that apply to them and establish the criteria to mitigate them	Each procedure is assigned to an expert who is a specialist in the area and trained to establish protective measures	The system procedures undergo permanent review to adapt to the evolution of the business	With tools and own software support that draws up risk maps of all categories based on the impact likelihood of the risks	System based on ISO 31000, audited every year both at corporate level and by the different business groups

The RMS of Abengoa is based on three pillars:

- **Common Management Systems** specifically designed to anticipate and manage business risks.
- **Internal control procedures** which, designed in accordance with the Sarbanes-Oxley Act (SOX), aim to mitigate the risks arising from financial reporting and improving the reliability of this.
- **Universal Risk Model** (URM), an internal Enterprise Risk Management (ERM) methodology that help to gauge, based on impact and probability indicators, the level of the main risks affecting Abengoa in each one of the categories (strategic, financial, operational, legal and regulatory). The tool generates risk maps in real time, enabling us to design efficient responses that are aligned with business objectives.

The importance of a risk department in crisis situations

The Company's Risk Management department has been directly involved in the design of the Feasibility Plan (FP) which has enabled the successful restructuring of the organisation. Furthermore, during this period a thorough process of identifying risks susceptible to affecting both the company as well as subsidiaries and projects has been carried out, with daily monitoring of the same. In this process, special emphasis has been placed on covering those risks that could have a significant impact on the restructuring process, as well as on its feasibility plan.

Lastly, the RMS has helped identify and mitigate the risks associated with business opportunities, tenders submitted and contracts signed during that stage, ensuring its alignment with the risk profile of Abengoa.

Integration of risk management into the organisation's strategy

Abengoa's Universal Risk Model (URM) enables it to identify and evaluate 20 risks classified as strategic, including the risk of inadequate strategy planning and/or execution, errors in budget preparation and monitoring, deficiencies in the distribution of R&D and innovation expenditure, significant changes in demand or inadequate consideration of socio-political changes.

From the international perspective of its operations, Abengoa is aware of the potential impacts on the company's business of the materialisation of any of the country-type risks in the geographical areas where it operates. To mitigate this risk, the organisation has introduced a **methodology for classification of countries** that allows for the execution of a pre-established set of measures depending on the classification of the country. As a mandatory step, the risk classification by country is included in the strategic plan of the organisation, so that specific requirements and measures to be applied are taken into consideration depending on each classification.

Evolution of risks

The company's Feasibility Plan and the process of divesting the biofuel businesses drastically **reduce Abengoa's exposure to the following risks**, specifically associated to the divestiture:

- **The fluctuating price** of raw materials and end product
- The **impact of regulation** in the **biofuels market**
- **Sales volumes** affected by the level of **crude** oil prices, as well as incidents or physical damages at production plants

Given that Abengoa's activity will focus mainly on construction projects for third parties (EPC), in whose sector Abengoa maintains a position of leadership and competitiveness, because of its high technological *know-how* acquired during more than seven decades of experience, the **major risks** to which Abengoa will be exposed are those **implicitly involved in the engineering and construction activity**, and which include:

- The risks of **delays and additional costs** in the case of complex technical projects
- **Impacts of nature** in areas where such projects take place
- Impacts through the risk of **changes to laws** and
- Acts of **political violence** in countries where the projects are carried out

Meanwhile, and as provided for in the Company's Feasibility Plan, Abengoa will reduce its participation in projects of a concession-type infrastructure activity, therefore **reducing** its **exposure to the risks** associated with such activity, inter alia:

- **Regulatory risk** affecting a regulated tariff
- Exposure to **interest rates** and capital **contribution needs** not covered

Risk monitoring

The regular holding of risk committees with the presidency of the company ensures that both the Executive Committee (EC) and the Presidency have the necessary knowledge of the main risks associated with the organisation as a whole and each of the projects and business in particular. This ensures that **strategic decisions** are taken with the **maximum guarantees of success**.

During 2016, there has been **a daily committee** to monitor the Feasibility Plan with **Senior Management**. In addition, there have been weekly internal committees to monitor Corporate Risk Management with the heads of Risk Management of each business unit. *G4-46, G4-47*

Likewise, the Audit Commission is also in charge of overseeing the risk control system, on the basis of internal auditing and risk management functions.