

## Transparency and anti-corruption

### Targets for 2018

- › Coordinate the effort to **adapt the organisation to the new structure** that is being built following the financial restructuring.
- › **Restructure all the company's internal management systems** to bring them into line with the new functional organisational structure.
- › Support the **launch of the centralised management** of suppliers, as a tool to include governance criteria and mitigate risks in the relationship that Abengoa maintains with its suppliers.

### SDGs that apply



Abengoa, as defined in its **code of conduct**, establishes **transparency** and **good corporate governance** as one of its **core principles of action**. This is in addition to the rest of Abengoa's management and business model values: health and safety, integrity, professional rigour, reliability, customer focus, innovation, social contribution, respect for the environment, cultural diversity and equal opportunities. **102-16**

The company's unswerving commitment to these values has been key to overcoming the difficult process of financial restructuring in which the company has been involved and the recovery of the confidence of our stakeholders, especially our customers, suppliers and financial creditors.

The consideration of the expectations and particularities of stakeholders is a priority for Abengoa and, in this regard, it is essential to continue working to strengthen the mechanisms that ensure greater transparency.

Accordingly, the company continues to embark on an extensive process of transformation to further simplify its organisational structure, adapt its internal policies, its compliance and corporate culture programmes, to ensure a continuous and accurate flow of information to stakeholders, in turn guaranteeing compliance with the law and respect for business ethics.

## Anti-corruption 205-2, 415-1

Although the mechanisms that guarantee adequate transparency and the fight against corruption always require continuous adaptation, in the case of Abengoa the effort must be even greater to adapt to the new functional and societal organisation that is being restructured. That is why the organisation has been working for more than a year on several programmes to adapt and streamline internal control systems and processes. This has involved introducing the requirements and approval circuits for the most relevant business decisions, or those with an impact on the balance sheet or the income statement, so that the entire internal control system adapts to the new functional organisational structure.

### Anti-corruption law

In its **constant support to the fight against malpractices, such as extortion, fraud and bribery, Abengoa** is subject to the stipulations of anti-corruption legislation, both locally and internationally and, in particular, of the US Foreign Corrupt Practice Act or FCPA. The FCPA regulates the actions of all companies that perform activity in the United States, irrespective of their country of origin.

**The Common Management Systems**, applicable to the entire company, include specific standards to **ensure compliance with the anti-corruption mechanisms and the FCPA requirements** by all company staff members.

The annual internal audit and regulatory compliance plans, which include prevention, fraud detection and regulatory compliance work, implemented by the Internal Audit area, cover, among other aspects, the risk of compliance with Abengoa's internal regulations on corruption.

As a consequence of the works carried out in 2017, **10 forensic audit reports** were compiled based on complaints received by both the internal and external channels. None of these has led to the commencement of a judicial procedure related to an incident of corruption.<sup>1</sup> 205-3

Likewise, in 2017 there has been no identification of any contribution by Abengoa to political parties and/or representatives, whether financial or in-kind, either directly or indirectly. 415-1

### Sustainable commitment

Abengoa has a long history in its **commitment to the fight against corruption**. In 2002, it joined the United Nations Global Compact, through which it undertakes to manage its operations in accordance with 10 principles based on the universal declaration of human rights, which includes, among other matters, the fight against corruption in all its forms, including extortion, fraud and bribery.

This effort has increased over the years. That is why in 2013 a regulatory compliance unit was created within the Secretariat General, which in 2014 acquired autonomy reporting directly to the Board of Directors. In February 2015, Abengoa became the **first Spanish company to satisfactorily pass an external audit of its ACCS** (Anti-corruption Compliance System), included in the 2015 Corporate Social Responsibility Report.

The **ACCS is driven by the company's management bodies and is applicable to 100 % of its structure**, reaching all employees, managers and directors of any of the companies under its control. A compliance system does not guarantee the non-perpetration of any irregular practice, but it helps to prevent it, and significantly increases the likelihood that it will be identified and mitigated.

During 2017 the compilation of best practices for the recruitment and supervision of intermediaries, already implemented at some subsidiaries, to extend this to the whole group, served to improve the ACCS.

Note 1 Although one action was taken to analyse possible corruption among individuals, the final conclusion was to archive the case.

### The 10 key elements of the ACCS

#### Organizational culture and communication

1. Involvement of senior management
2. Regulatory Compliance Department with direct access to the Board of Directors
3. Code of Conduct, with zero tolerance
4. Training

#### Procedures and policies implemented at Abengoa

5. Aligned Common Management Systems
6. Analysis and evaluation of risks
7. Specific procedures for the areas of greatest potential risk:
  - Gifts and donations
  - Control, monitoring and due diligence of third parties
  - Due diligence prior to merger and acquisition of companies
  - Due diligence prior to the closing of UTEs and joint ventures agreements
  - Purchase, payments and contracts with third parties

#### Detection mechanisms

8. Update, review and continuous improvement of the ACCS
9. Internal and external whistleblowing channel
10. Conducting specific audits

### Code of conduct 102-16, 205-2

Abengoa has a Code of Professional Conduct that defines working relations for employees, senior managers and directors within the company as well as relations with stakeholders. Likewise, it **establishes the guidelines of conduct that must govern the company's activity and the prohibitions based on the values that define the organisation's corporate philosophy.**

The company's geographic diversification means developing our activity in very diverse legal settings, whose cultural particularities must likewise be addressed. However, there are principles and methods of conduct that must be heeded by all members of the organisation, because they represent the cornerstone on which our business culture is based, and they are included in compliance programmes that are part of our management system.

The ultimate goal of the Code of Professional Conduct is to **promote open and transparent professional rigour, setting a standard of conduct applicable to the entire workforce, without exception.** It therefore represents an express statement of values, principles and guidelines of conduct that should guide the behaviour and consolidate the culture of everyone in the group in the performance of their professional activity.

Knowledge of the Code of Conduct by persons linked to the organisation is key to the practical application of its principles. The document is available on the Abengoa intranet where it can be consulted by employees, and also on the [company's website \(www.abengoa.es\)](http://www.abengoa.es), to facilitate its dissemination to the value chain and to its stakeholders.

## Mechanisms to prevent corruption

### Whistleblowing channel 103-2

Among the most relevant mechanisms available to the company to prevent and fight corruption is the whistleblowing channel, accessible both to employees of the company and to other stakeholders.

This channel **provides the opportunity to establish direct communication with senior management, as well as with other governance bodies**, in order to serve as an instrument to raise any possible irregularity, breach or conduct contrary to ethics, legality and standards that govern the company.

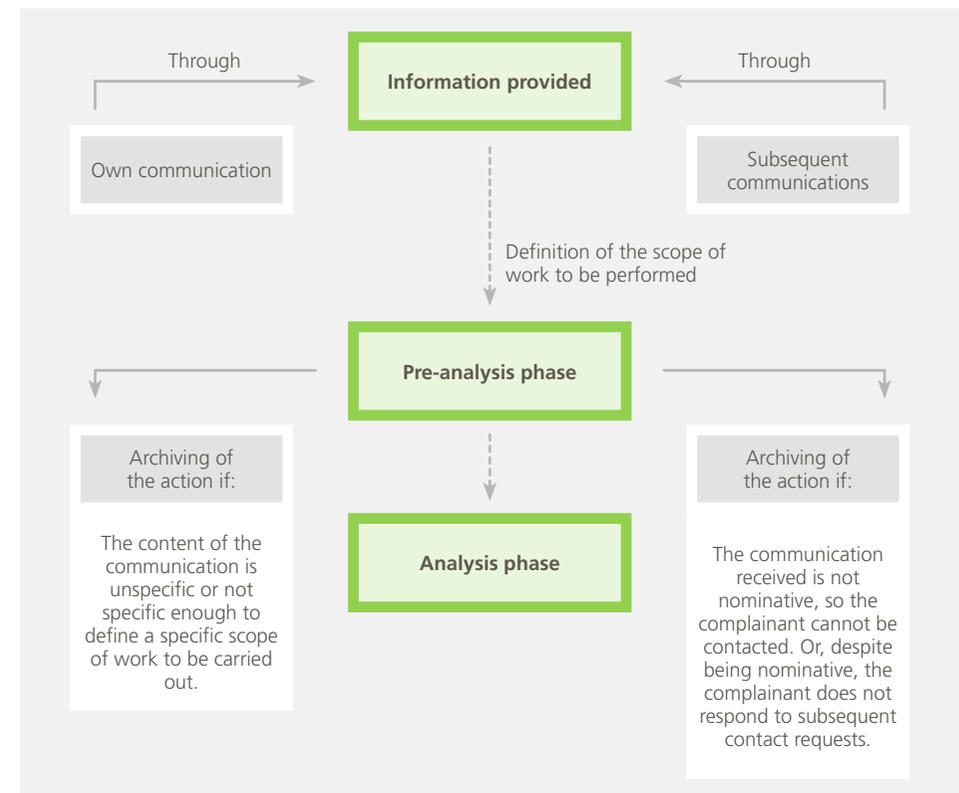
**Abengoa's two whistleblowing channels** -the internal one and the external one-, which have been operational since 2007, have been set up in accordance with the specific requirements of the Sarbanes-Oxley Act.

- › **Internal:** available to all employees so they can report any complaints or claims.
- › **External:** intended to enable anyone outside the company to report irregularities, fraudulent acts or conduct that contravenes Abengoa's Code of Conduct. The channel is available on the Abengoa website.

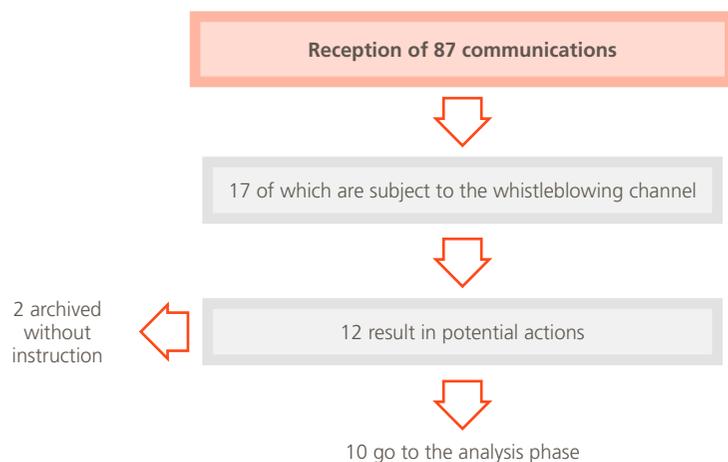
In addition to the whistleblowing channels, **any infraction may be reported directly to the Chief Compliance Officer, and to supervisors**, directors and duly authorised personnel.

The complaints are received directly by the Regulatory Compliance Officer and by the Director of Internal Audit. The Audit Committee and the Chairman of the Board of Directors of Abengoa, formally conclude on the investigations or measures that, where appropriate, should be adopted in relation to the complaints received.

### Flow of action based on the complaint received



In 2017, **87 communications** were received, which led to 10 actions in the analysis phase.



First, upon receiving a communication, it is assessed to determine whether it falls within the scope of the Whistleblowing Channel, and, if so, the action begins<sup>2</sup>.

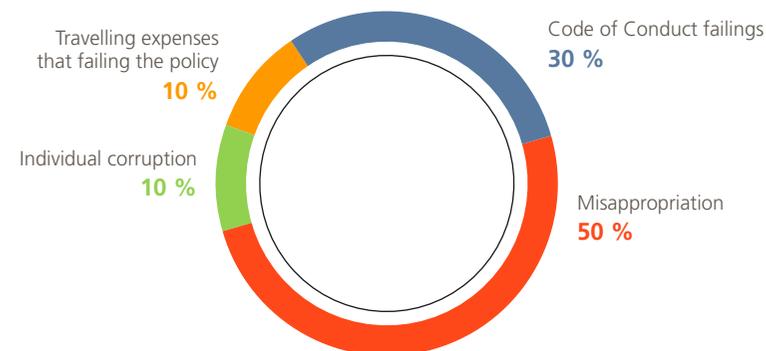
Of all the complaints received, only 20 % were sent via the channel, given that there was a large number of communications from shareholders actually sent to the investor relations mailbox, due to the capital increase.

Therefore, once it has been determined that a communication is the object of the Whistleblowing Channel, an action is opened and a preliminary analysis is simultaneously initiated. In the first place, if the communication is nominative (that is, the complainant furnishes contact details), the complainant is contacted to improve the understanding of the communication and thus be able to define the scope of the analysis procedures to be carried out in the most specific and efficient way possible. The company has a maximum response time of 48 hours

Based on the information provided both in the communication and in subsequent communications with the complainant, the scope of work to be carried out is defined. And later on, we move on to the pre-analysis and analysis phase.

Note 2 An action can have more than one associated communication, since it is common to maintain contact with the complainant.

Actions classified by type of irregularity

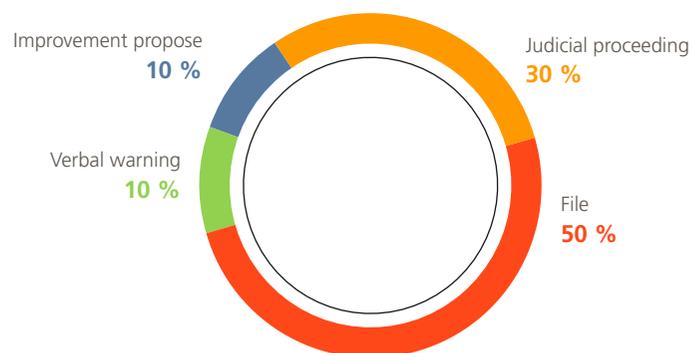


Misappropriation has been the most reported type of irregularity in 2017, accounting for 50 % of the actions carried out. It is followed by breach of the Code of Conduct, with 30 %.

The distribution of the complaints received by geographical zones is the following: **102-17**

Complaints by geographical distribution	2017 (%)	2016 (%)	2015 (%)
Latin America	50	22	52
Africa	–	17	19
Europe	30	44	14
North America	–	6	10
Asia and the Middle East	20	11	5

Finally, 50 % of the proceedings were archived. For 30 % of complaints, Abengoa initiated a legal procedure for recuperation/compensation after assessing the conclusions presented as a result of the actions carried out.



## Good practices committee

One of the innovations of 2017 to improve transparency has been the **constitution** of the **Good Practices committee** of the Audit Committee of the Board of Directors.

The Good Practices Committee **assesses those breaches of the Abengoa Code of Conduct and/or potential cases of internal fraud** (understood as a breach by managers and/or directors of the mandatory policies and processes), in which such breaches have been an instrumental process for the perpetration or attempted perpetration of an administrative misdemeanour or crime, within the scope of its functions.

The committee is chaired by the Internal Audit Department and is made up of the corporate divisions of Human Resources, Legal Advice and Regulatory Compliance.

## Implementation, management and control of the Internal Control System

The organisation's commitment to transparency requires a joint effort by everybody at Abengoa, essential for the generation of relevant and truthful information.

**The company uses the "COSO" framework for internal control**, as well as to manage and mitigate the associated risk.

- › The first line of control is the **operational management of the business**, through the use of the Company's Common Management Systems
- › The second line of control is **risk management** and compliance established by the company's management
- › And the third one is the **internal and independent audit**

The risk control system is completed by the corporate governance bodies and senior management.

During 2017 the tasks related to the updating and **improvement of the internal control design under the COSO framework continued**, introducing the general frameworks and guides on the company's risk management, internal control and fraud detection, designed to improve corporate governance. In addition, work has been carried out to prevent and detect fraud in operations, for the purpose of reducing its impact.

Among the projects carried out during 2017, it is worth highlighting the flexibilization of the matrix of incompatible functions in the company's ERP system (SAP) for those less relevant tasks, while the system and control of the approval chains (work-flows) has been strengthened to maintain the standard of requirement of the internal control system. This was carried out mainly in light of the circumstances of change that have occurred in recent years. Due to the multiple redundancies, a process has been carried out to reduce non-critical incompatibilities in order to facilitate the operations of the companies.

## Audits for preventing and detecting fraudulent activity

Since 2012 Abengoa has had a **Fraud Prevention and Detection Work Plan**, the objectives of which are:

- › To identify and mitigate the main fraud risks to which the company is exposed.
- › To investigate complaints received through the available channels

In this regard, the tasks associated with fraud prevention audits are carried out on the basis of an action plan that includes those more sensitive geographic areas, activities or business segments, as well as the review of areas with greater risk in the financial statements.

This Plan includes a preliminary risks analysis, for the purpose of designing an audit and review plan that covers all geographic regions where Abengoa performs its activity.

In addition, the permanent updating system to which the audit plan is submitted turns it into a living tool, incorporating the results and conclusions of the work carried out in response to each of the completed works.

During 2017, apart from other cross-cutting operations, a total of three actions have been carried out to prevent or reduce the risk of corruption or fraud. **205-1**

## Liable taxation

The Group is committed to compliance with fiscal regulations and with its tax obligations. The company's fiscal strategy, approved by its Board of Directors, includes basic principles of action in tax matters, such as the following:

- › **Decision-making** presided over by the principles of **honesty, integrity and good judgement** that is required of all Abengoa employees, respecting compliance with the applicable legal and regulatory requirements and reasonably interpreting the applicable standards.
- › **Transparency and integrity** as the basis for the relationship that Abengoa promotes with the Tax Administrations of the different jurisdictions in which it operates. Abengoa adheres to the Code of Good Tax Practices with the Spanish Tax Administration.
- › **Regarding related-party transactions**, Abengoa ensures that its transfer **pricing policy complies with the arm's length principle legally established**.
- › Abengoa **avoids** the use of **structures of an opaque nature for tax purposes**, understood as those designed with the purpose of preventing the Tax Agency from knowing the party ultimately responsible for the activities or the ultimate owner of the goods or rights involved.
- › Abengoa's **internal control system**, based on the COSO methodology, **includes a specific section on taxation with associated controls, which is subject to review by the external auditor**, as are the remaining areas.

As regards the prevention of financial risks, fraudulent activities and money-laundering, Abengoa's makes explicit reference in its policy that investments made in tax havens are based strictly on justified business and economic criteria that are completely separate from other motivations, such as obtaining tax benefits or tax exemption.

**The organisation also conducts activities in other geographic areas which, though not included on the list of tax havens by Spain's National Tax Agency (AEAT)**, are nevertheless considered by other international observatories and organisations to be territories whose tax system is more advantageous than the Spanish regime. In this regard, the company has subsidiaries in Delaware (USA), Holland, Luxembourg, Uruguay, Singapore and Switzerland. All of them are fully based on strictly economic or business rationale, or simplification of commercial and administrative processes, and under no circumstances are motivated by tax evasion, money-laundering or the financing of illicit activities.

## Monitoring of the restructuring plan

Throughout 2017, **Abengoa continued to make progress in its restructuring plan** with the support of the Audit Committee, focusing its attention and efforts on the supervision of financial reporting and its preparation and control processes; the external auditor's management in the determination of its mandate and independence in conducting the audit; the effectiveness of the risk management and internal control system, as well as corporate governance matters. All with the ultimate goal of being able to inform and advise the Board of Directors in its decisions and to ensure the truthfulness and accuracy of the information generated by the company.

Other projects spearheaded during the year and which are particularly relevant to the restructuring process, have been:

- › **Monitoring of the main risks of the projects** in execution.
- › **Assessment of the recoverability of the assets** through the findings obtained from the impairment tests.
- › **Follow-up and approval of divestments** on assets and businesses with significant impact on the financial statements.
- › **Follow-up of legal procedures** with probable impact on the financial statements.