

### D.7 Is more than one company of the group listed in Spain?

No

#### Identify the subsidiary companies that are listed in Spain:

Not Applicable

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#### Listed subsidiary companies

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#### activity and any possible business relationships among them, as well as those between the listed dependent company and the other companies within the group:

Not Applicable

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#### Describe the possible business relationships between the parent company and the listed subsidiary, and between the subsidiary and the other companies within the group:

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See Section H "Other Information of Interest"

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#### Identify the mechanisms established to resolve possible conflicts of interest between the listed subsidiary and the other companies within the group:

Not Applicable

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#### Mechanisms for the resolution of possible conflicts of interest

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## E. Risk control and management systems

### E.1 Explain the scope of the company's Risk Management System, including the system for managing tax risks.

Abengoa's Risk Management System is a global and dynamic system. The scope of action of this system covers the entire organization and its whereabouts on a more permanent basis, and compliance with it is compulsory for all the Company's employees, managers and directors. It works comprehensively and continuously, consolidating this management according to the area, business unit or activity, subsidiaries, geographical areas and support areas at corporate level.

Abengoa's risk management system is designed to mitigate all the risks to which the Company may be exposed as a result of its activities. The structure of Abengoa's risk management is based on three pillars:

- › The common management systems specifically designed to mitigate business risks.
- › Internal control procedures aimed at mitigating risks derived from the elaboration of the financial report and at improving the reliability of such report, designed in accordance with the SOX Act (Sarbanes-Oxley Act).
- › The universal risk model which is the methodology that Abengoa uses to identify, compress and assess the risks that affect the Company. The purpose is to obtain an integral vision of them, designing an efficient system of response that is in line with the business objectives.

These elements form an integrated system that allows for appropriate management of the risks and their mitigating controls at all the levels of the organization.

The internal auditing unit is in charge of ensuring compliance with and the proper functioning of these systems.

### E.2 Identify the decision-making bodies of the company responsible for preparing and implementing the Risk Management System, including the system for managing tax risks.

The determination of the risk control and management policy, including tax risks and the supervision of internal reporting and control systems, is a faculty of the Board of Directors of Abengoa that cannot be delegated, in compliance with the provisions set out in the Corporate Enterprises Act.

The duty of elaborating and executing the risks management system is basically exercised by the audit committee, specifically through the internal auditor and the risks manager.

The risks manager is in charge of analyzing projects and businesses in aspects regarding the identification and quantification of risks of any nature.

Meanwhile, the internal audit department is in charge of supervising and ensuring the correct functioning of the risks management system.

### E.3 Point out the principal risks, including tax risks that could affect the achievement of business goals.

In the process of identifying, understanding and assessing the risks affecting the Company, the following risks factors have been considered:

#### General risks

- › Abengoa operates in a sector of activity especially linked to the economic cycle.
- › Risks derived from depending on regulations in support of activities relating to renewable energy
- › Solar power generation.
- › Risks derived from delays and cost overruns in activities of an Engineering and construction nature due to the technical difficulties of the projects and the lengthy duration of their execution.
- › Risks linked to the activities of concession-type infrastructural projects operating under regulated tariffs or extremely long-term licence agreements.
- › Income derived from long-term agreements: risks derived from the existence of clauses and/or renewal of licence agreements processed by Abengoa, termination of pending engineering and construction projects.
- › The variations in the cost of energy may have a negative impact on the Company results.
- › Risks derived from the development, construction and exploitation of new projects.
- › Construction projects regarding the engineering and construction activities and the facilities of concession-type infrastructural and industrial production activities are dangerous places of work.
- › Risks derived from joining forces with third parties for the execution of certain projects.
- › The energy sector products and services are part of a market subject to intensive conditions of competition.

#### Specific risks for Abengoa

- › Risks derived from the shareholders' equity situation.
- › Risks related to the ability to comply with the feasibility plan.
- › Risks related to the liquidity needs of Abengoa in the short- and medium-term.
- › Risks related to the impossibility of completing the divestiture plan.
- › Risks related to the sale of the shares in Atlantica Yield and A3T.
- › Abengoa operates with high levels of borrowing.
- › Risks arising from the need to generate positive cash flows.
- › The results of the Company depend significantly on it being able to carry on its engineering and construction activity for third parties.
- › Fluctuations in interest rates and their hedging may affect the results of the company.
- › Fluctuations in the currency exchange rates and their hedging may affect the results of the company.
- › Risk of litigation and other legal processes.

#### Risks derived from internationalization and from country risks

- › Abengoa's activities fall under multiple jurisdictions with various degrees of legal demands requiring the Company to undertake significant efforts to ensure its compliance with them.
- › Insurance coverage taken out by Abengoa may be insufficient to cover the risks entailed in the projects, and the costs of the insurance premiums may rise.
- › The activities of the company may be negatively affected by natural catastrophes, extreme climate conditions, unexpected geological conditions or other physical kinds of conditions, as well as by terrorist acts perpetrated in some of its locations.

### E.4 Identify whether the entity has a risk tolerance level, including one for tax risk.

Abengoa has a risk tolerance level established at corporate level.

The universal risks model is a tool used for identifying and evaluating all risks affecting Abengoa. All the risks contemplated therein are evaluated considering probability and impact indicators.

Based on such parameters, the risks are classified as follows:

- › Minor risks: risks that occur frequently but bear little economic impact. These risks are managed to reduce their frequency only if managing them is economically viable.
- › Tolerable risks: risks that occur infrequently and bear little economic impact. These risks are monitored to ensure that they remain tolerable.
- › Severe risks: frequent risks that bear extremely high impact. These risks are managed immediately although, due to the risk management processes implemented by Abengoa, it is unlikely that Abengoa needs to tackle these types of risks.
- › Critical risks: risks that occur infrequently but bear extremely high economic impact. These risks are linked with a contingency plan because, when they do occur, the impact can be extremely high.

### E.5 State what risks, including tax risks, have materialized during the financial year.

Abengoa endured certain risks during the 2017 financial year, the most significant of which are described below.

Energy and the environment are part of the activities in which Abengoa is engaged. This activity is performed in changing surroundings, with regulations, subsidies or tax incentives that can be changed or even legally challenged. Throughout recent financial years various amendments to regulations have taken place in the jurisdictions where Abengoa operates (mainly in the United States and Brazil), mainly in relation to activity concerning renewable energy generation, which have affected the profitability of Abengoa's current and future projects, the conditions in which to compete with non-conventional renewables and other kinds of energy, and its ability to complete some ongoing projects.

Moreover, given the financial difficulties that the Company went through in the second half of 2015 as a result of, inter alia, limited access to capital markets, in September 2015 the Company initiated a process of negotiation with its creditors to reach an agreement that would guarantee its financial feasibility. For these purposes, and to ensure stability in the period of negotiations, the Company submitted the communication provided for in Article 5 bis of the Bankruptcy Act on 25 November 2015 to the Commercial Court of Seville. The deadline for reaching an agreement with the creditor banks concluded on 28 March 2016, the date on which the Company filed a standstill agreement with the Commercial Courts of Seville, for judicial approval. The aim was to provide the time necessary to continue working in reach of fallen complete agreement for restructuring of its financial debt and recapitalization of the Group. This standstill agreement, which granted a delay in meeting financial obligations until 28 October 2016, was judicially approved on 6 April 2016 and its effects extended to dissident creditors.

On 24 September 2016, within the period granted through the standstill agreement, the Company, several of the Group companies and a group of financial creditors signed and publicly recorded the restructuring contract in a deed that was executed by the Notary Public of Madrid, José Miguel García Lombardía. Among other issues, this agreement regulated the terms of the restructuring of the financial debt of the Group and certain financial institutions undertook to provide new funding. This restructuring agreement was placed at the disposal of financial creditors and, after the initial period of adhesion, it received support from 86% of financial creditors at which it was addressed (a percentage that reached 93.97% after the additional period of partnership). On 28 October 2016, a group of financial creditors asked the Commercial Courts of Seville for judicial approval of the agreement, approval that was given on 8 November 2016, extending the effects of the agreement to dissident creditors.

In accordance with the provisions of the restructuring agreement, the closing of the deal and the entry of new financing were subject to compliance with a number of conditions precedent. The maximum period for compliance with said conditions and the closure of the operation was 28 February 2017 although the Company requested authorization to extend said period to 31 March 2017. On 31 March 2017 the Company completed the financial restructuring process.

The agreement was challenged by series of financial creditors. On 25 September 2017, the Commercial Court nº2 in Seville ruled on the challenges filed (i) dismissing the challenges relating to the lack of concurrence of the percentages required by the Bankruptcy Law and thus deciding to uphold the endorsement agreed upon and the effects of the restructuring agreement; and (ii) admitting challenges relating to the disparity of the sacrifice caused to the challengers cited in the ruling.

The nominal value of the debt demanded by the challengers, which, as consequence of the above, was excluded, amounts to approximately €72 Million as at the date of the endorsement agreement.

The Company filed writs of clarification and complements against the ruling, but both petitions were dismissed by the Court.

That meant that the amounts owed object of such proceedings which shall not be affected by the restructuring surpassed the thresholds envisaged in the agreements that caused a possible supposition of their anticipated maturity.

In relation to the above and in anticipation of such scenario, the Company had already requested for the relevant exemption under different financial instruments, exemptions that have now been obtained, for which reason such suppositions of anticipated maturity are deemed not to have occurred.

## E.6 Explain the plans for responding to and supervising the entity's main risks, including tax risks.

There is a specific action plan in place for each of the risks identified, which could encompass various departments of the Company.

The following committees are in charge of the executive supervision of the Company's main risks, becoming more relevant in 2017:

- › Executive Committee.
- › Management Committee.
- › Vertical and Countries Committees.

## F. Internal risks control and management system in connection with the process of issuing financial information (ICFRS)

Describe the mechanisms making up the risk control and management systems with respect to the process of issuing the entity's financial information (ICFRS).

### F.1 Control environment at the entity

Indicate at least the following, specifying the main features thereof:

#### **F.1.1 What bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective internal control over financial reporting system (ICFRS); (ii) the implementation thereof; and (iii) oversight thereof.**

The System of Internal Control over Financial Reporting, (hereinafter, ICFRS), 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, 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 committee in accordance with its own regulations.

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

According to the foregoing Article, the functions entrusted by the Board of Directors to the Audit Commission, with regard to the ICFRS, 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 Committee, is that which entails *"Periodically revising the internal control and risk management system so that the main risks, including those of 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"*.