

ABENGOA

SECOND PARTY* OPINION ON SUSTAINABILITY OF ABENGOA'S "SUSTAINABLE GREEN BOND"

VIGEO OPINION

SCOPE

Vigeo was commissioned to provide an independent opinion on the sustainable credentials of Abengoa's Green Bond, according to the Vigeo Environmental, Social and Governance (ESG) assessment methodology. The steps include:

- Analysis of the issuer CSR performance, controversies and allegations on ESG issues and capacity to mitigate these risks
- Identification of the project's environmental and social benefits and analysis of ESG integration in the project selection and management
- Assessment of reporting capacity and commitments for project fund allocation, environmental and social outcomes and ESG project management.

SUMMARY

In light of our review and interactions with Abengoa, Vigeo confirms Abengoa is issuing a « Sustainable Green Bond » to finance future or under development or construction phase projects regarding Renewable Energy, Energy efficiency, Energy transmission, & distribution, Water transmission, & distribution, Water management, Bioenergy and Waste to energy that contribute to the fight against climate change and energy transition, protection of water resources, creation of local employment and improvement of access to clean energy and drinking water, in line with its sustainable development commitments.

1. Issuer

Level of CSR performance:

As of May 2014, Abengoa is ranked 3rd out of 17 in Vigeo's Industrial Goods and Services European sector. The assessment process carried out during the green bond analysis shows the issuer's commitments towards human rights, human resources (except for responsible management of reorganisation), environment (except for pollution prevention & control and Atmospheric emissions), business behaviour, community involvement and the governance policy are considered as relevant**. Those commitments could be backed with more quantitative targets.

Abengoa is not involved in any of the 9 disputable activities analyzed by Vigeo.

ESG controversies: As of 2014/07/31, Abengoa faces isolated controversies. When involved in these controversies, regarding promotion of the social and economic development, prevention of corruption and antitrust practices, Abengoa has been cooperative with relevant parties and transparent.

ESG risk mitigation: Vigeo's level of assurance on Abengoa's management of its CSR risks ranges from weak** to reasonable**. In particular, our level of assurance regarding the management of risk its operational efficiency is good while our level of assurance regarding the management of CSR risks related to its reputation and human capital cohesion is moderate and on for its legal security is low.

2. Projects

Project identification: According to Abengoa's CSR Strategy and its commitments to sustainability and the fight against climate change, the Company will finance green projects which are clearly defined as:

- Renewable Energy
- Energy transmission & distribution
- Energy efficiency
- Water transmission & distribution
- Water management
- Bioenergy
- Waste to energy

Environmental and social outcomes of these green projects categories have been identified: contribution to fight against climate change and ecological transition, creation of local employment and improvement of access to clean energy and drinking water.

Project selection: The selection process of projects to finance is designed and includes compliance with relevant criteria, belonging to Environment, Human Resources, Human Rights, Business Behaviour, Local communities and Governance domains. These ESG criteria are visible, precise, measurable and relevant and the selection process is based on a framework publicly available on Abengoa's website, aiming at a responsible management of projects.

3. Reporting

Abengoa is committed to report annually in its CSR Annual Report available on Abengoa's website and verified by a third party, on

- The fund allocation to eligible projects (list of financed projects) and the compliance of the net proceeds' allocation with the above described process
 - Effective environmental and social outcomes and responsible management of projects financed, with relevant indicators regarding the integration of ESG issues, covering all sustainability domains and criteria
- **Level of reporting commitment:** Abengoa's commitment to account on projects to finance covers both the selection and management phases, showing a consistent level of transparency on all reporting issues. Vigeo's level of assurance on Abengoa's commitment on reporting is reasonable**.

* **Second Party Opinion – Green Bond Principles:** This opinion is to be considered as the "Second Party Opinion" described in the Voluntary Process Guidelines for Issuing Green Bonds, issued by Green Bond Principles, January 13th 2014. Vigeo considers that this Green Bond aligns with the Green Bond Principles, as dated January 13th 2014.

Disclaimer: This opinion aims to explain for investors why the Green Bond is considered as sustainable and responsible, based on the information which has been made available to Vigeo and which has been analysed by Vigeo. Providing this opinion does not mean that Vigeo certifies the materiality, the excellence or the irreversibility of the projects financed by the Green Bond. Abengoa is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo neither focuses on financial performance of the Green Bond, nor on the effective allocation of funds' use of proceeds. Vigeo is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction. The opinion delivered on stakeholder-related ESG controversies is not a conclusion on the creditworthiness of Abengoa or its financial obligations.

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** Vigeo's scales are defined as follow:

Commitments: highly relevant, Relevant, Partially relevant, Not relevant
Ability to mitigate ESG controversies: Advanced, Robust, Limited, Weak
Level of assurance: Reasonable, Moderate, Weak

Paris, September 1st 2014.

METHODOLOGY

In Vigeo's view, environmental, social and governance factors are intertwined and complementary and cannot be separated when assessing the management of CSR in any organization or in any activity, including the issuance of green bonds.

In this sense, we write an opinion on the issuer's social responsibility as a corporate organization, and on the objectives, the management and the reporting of the projects financed by the green bond.

1. Analysis of the issuer regarding international standards in terms of social responsibility

Abengoa has been evaluated by Vigeo Rating, on May 2014 on its social responsibility performance, based on a rating framework aligned with public international standards, in compliance with the ISO 26000 norm, and organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. Vigeo's review uses publicly available information from the company and stakeholders. In July, Abengoa's ESG policies have been assessed by Vigeo on the level of commitment; using information collected on-site provided by Abengoa and other sources.

An analysis of controversies and allegations on each domain of sustainability has been conducted, regarding frequency, severity and responsiveness.

9 disputable activities have been analysed following 30 parameters to verify if the company is involved in one of them: Alcohol, Animal maltreatment, Amament, Hazardous chemicals, Gambling, GMOs in food & feed, Nuclear energy, Sex industry, Tobacco.

2. Analysis of the financed projects

A Green Bond Framework has been developed with Vigeo to define the use of proceeds requirements and the environmental and social criteria, that such projects should meet in order to be eligible, and the selected indicators in order to report regularly on project outcomes.

2.1. Use of proceeds requirements

The Use-of-proceeds requirements are defined to ensure that the funds raised are used to finance Eligible Green Projects and are traceable within the issuing organisation. These requirements must be met by Abengoa for each endorsed project; they include Eligible Green Projects definition and Management of proceeds, detailed in a dedicated page below.

The environmental and sustainable purpose of eligible projects as part of the Bond has been precisely defined, in regards to Abengoa's priorities. The projects endorsed by Abengoa as part of the bond must match one of these categories detailed in a dedicated page below:

- | | | |
|--------------------------------------|-------------------------------------|-------------------|
| ✓ Renewable Energy | ✓ Water transmission & distribution | ✓ Bioenergy |
| ✓ Energy transmission & distribution | ✓ Protection of water resources | ✓ Waste to energy |
| ✓ Energy efficiency | | |

For each category, environmental and/or social outcomes have been identified.

The net proceeds of the issuance will be managed within Abengoa treasury liquidity portfolio, in cash or other liquidity instruments, before the fund allocation to Eligible Green Projects.

2.2. Environmental Social and Governance criteria

On the basis of ISO26000 guidelines, of a review of Abengoa's Policies and Guidelines on Sustainability and of internal interviews concerning business activities and practices in place, Vigeo guided Abengoa by elaborating ESG criteria (Environment, Social / Societal and Governance) for projects evaluation and selection. Each future project endorsed shall comply with all these criteria in order to be eligible.

In total 14 criteria have been determined and aligned to 4 domains within Abengoa's CSR strategy:

- *Environment protection*: manage environmental impacts, protect biodiversity and water resources and fight against climate change
- *Social dimension*: Ensure respect of human rights, communities' well-being, responsible relations and working conditions
- *Business ethics and creation of value*: Contribute to local development, promote ethical practices throughout the supply chain and sustainable relations with suppliers and customers
- *Project Governance*: Ensure appropriate ESG assessment and project compliance

These 14 criteria are available on Abengoa's website and detailed in a dedicated page below.

3. Analysis of reporting indicators

Reporting indicators are selected from Abengoa's indicators already existing in order to report annually on environmental and social outcomes and on responsible management of the projects financed by the green bond proceeds, collected at project level and aggregated at bond level.

Vigeo has appreciated the relevance of these indicators according to three principles: completeness, effectiveness and intelligibility for stakeholders.

These reporting indicators are detailed in a dedicated page below and will be used by Abengoa to report annually in a Green Bond section in its CSR Annual Report available on its website.

Use of proceeds requirements

“**Eligible Green Projects**” include eligible green projects categories (as defined below) which promote sustainability, such as contributing to fight against climate change, energy transition, protecting water resources, creating local employment and improving access to clean energy and drinking water. Eligible Green Projects will meet a set of environmental, social and governance (ESG) criteria approved both by Abengoa and Vigeo, and available on Abengoa’s website in the Corporate Social Responsibility section.

Eligible Green Projects include **future or under development or construction phase** projects, i.e. projects awarded with PPA (Power Purchase Agreement) signed or closed to be signed

Project categories	Definition	Environmental and social outcomes
Renewable energy	Projects of conception, development, engineering construction, operation and/or maintenance of renewable energy production units, i.e. energy produced from wind and solar power (Concentrating Solar Power (CSP) and photovoltaic technology) and hydrogen	<ul style="list-style-type: none"> - Fight against climate change (avoiding of GHG emissions) - Contribution to energy transition (development of renewable energy, energy storage) - Access to clean electricity - Local economic development
Energy transmission & distribution	Projects of engineering design, construction, equipment, operation and maintenance of energy transmission and distribution infrastructures that contribute to: <ul style="list-style-type: none"> - Connect renewable energy production units to the network - Improve networks in terms of demand-size management, energy efficiency, access to electricity 	<ul style="list-style-type: none"> - Contribution to energy transition (development of renewable energy) - Energy storage - Access to clean electricity - Local economic development
Energy Efficiency	Projects of design, engineering, construction and commissioning of projects, that contribute to a reduction of the energy consumption per unit of output and reduction of associated GHG emissions, such as cogeneration plant	<ul style="list-style-type: none"> - Fight against climate change (reduction of GHG emissions)
Water transmission & distribution	Projects of engineering design, construction, equipment, operation and maintenance of infrastructures of water transmission and/or distribution, that contribute to: <ul style="list-style-type: none"> - Carry water to the network - Improve networks in terms of demand-size management and access to drinking water 	<ul style="list-style-type: none"> - Access to drinking water - Local economic development - Protection of water resources (improvement of network storage and transport capacity)
Water management	Technologies for generating drinking water from sea water (desalination), water treatment and the creation of process for reusing water for in dustrial and domestic purpose	<ul style="list-style-type: none"> - Access to drinking water - Local economic development - Protection of water resources (improvement of water treatment, reduction of water consumption)
Bioenergy	Development of second-generation biofuels and energy crops from vegetable and organic origin	<ul style="list-style-type: none"> - Fight against climate change (avoiding of GHG emissions) - Contribution to energy transition (development of renewable energy) - Local economic development
Waste to energy	Research and development of new Municipal Solid Waste management models for producing ethanol through a process involving treatment via fermentation and enzymatic hydrolysis, as well as recycling of materials that can be reused	<ul style="list-style-type: none"> - Fight against climate change (avoiding of GHG emissions) - Contribution to energy transition (development of renewable energy) - Local economic development

Management of proceeds

The net proceeds of the issuance will be managed within Abengoa treasury liquidity portfolio, in cash or other liquidity instruments, before the fund allocation to Eligible Green Projects. In case of project divestment, the Issuer will use the net proceeds to finance other Eligible Green Project compliant with the current Use of Proceeds.

ESG criteria

Criteria	Commitments
Environment	Manage environmental impacts, protect biodiversity and water resources and fight against climate change
Environmental management and eco-design	Environmental Management System (EMS) is implemented in the subsidiary in charge of the project
	Eco-design : environmental requirements integrated in project design specifications covering all project life cycle
	Environmental impacts assessment of the project covering construction, operation and maintenance phases and implementation of appropriate measures to limit, mitigate or compensate negative impacts
	Environmental monitoring during all project life cycle, covering 11 factors of the EMS (raw materials, energy, water, spillage or dumping, waste, emissions, biodiversity, transports, services and products, noise and smells)
	All employees involved in the project have been trained on environmental impacts, on the fight against climate change and on internal management protocols in place
Energy management and fight against climate change	Inventory of GHG emissions at subsidiary level and implementation of GHG reduction plan
Protection of biodiversity and water resources	Assessment of project impacts on biodiversity and water resources, and implementation of measures to protect resources, flora and fauna species if required (i.e. the site is classified as a "priority" on biodiversity issues)
Social dimension	Ensure respect of human rights, communities' well-being, responsible relations and working conditions
Respect of fundamental human and labor rights	All employees involved in the project have been trained at least annually on prevention of incidents related to violations of human rights
	No complaints on human rights violation nor incidents implying labor rights-related risks have been monitored at project level through the whistleblower channels and/or transparently reporting in a case of incident reported
	Gender equality is audited twice a year according to the Equality Framework Plan and reviewed yearly in the Equal Treatment and Opportunities Committee, at business group level
	Social Labor Responsibility Management System is implemented in the subsidiary in charge of the project (SA 8000 certification or equivalent), covering human rights and labor rights issues
Promotion of labour relations	Employees involved in the project are covered by collective agreements on working conditions, employee representation and social dialogue
Career management and employment conditions	Over than minimum legal wages and social security are ensured for each employee involved in the project
	Employees are guided into internal job mobility after project construction
Improvement of health and safety and working conditions	Occupational Risk Prevention : risks assessment of the project covering construction, operation and maintenance phases and implementation of appropriate measures to prevent, limit or mitigate health and safety risks
	All employees involved in the project have been trained on Occupational Risk Prevention system
	H&S representative named for the project, in charge of prevention and coordination for the project
Communities' well-being	Assessment of impacts on communities: the project has direct and indirect positive impacts on local communities and their surroundings, and if any potential negative impacts are presumed, implementation of actions to prevent or mitigate them
	Local public consultation during all project life cycle (conception, construction and operation)
	Social actions are carried out and/or cooperation with NGO's and local institutions are implemented during the project life cycle

Business ethics and creation of value	Contribute to local development, promote ethical practices throughout the supply chain and sustainable relationships with suppliers and customers
Promotion of local social and economic development	<p>Social Return on Investment have been measured to assess the efficiency of the programs and initiatives implemented, according to the PE&C (People, Education and Communities) social development program</p> <p>Creation of local employment and/or development of economic activity linked with project construction and operation</p>
Sustainable customer relations	<p>Project conducted within a comprehensive Quality Management System, including customer safety and customer satisfaction evaluation on annual basis during project execution and/or at the end of the project</p> <p>Project Carbon footprint labelling : calculation of GHG emissions (scope 1, 2 and 3 - “cradle to gate” methodology) linked to the project construction, operation and maintenance</p> <p>Periodical meetings are conducted with the customer and Quality, Environment and H&S plan is reviewed</p>
Responsible procurement	<p>Risk analysis of all suppliers based on variables such as:</p> <ul style="list-style-type: none"> - Country of supplier location: human rights, corruption, politic and civil rights, politic risks and environmental risks - Nature of the product or service supplied regarding health and safety issues (risk level) - Reputational risks <p>Onsite audits of critical suppliers have been conducted (if identified) covering environmental and social issues of the Social Responsibility Code - <i>At least 5% of critical suppliers audited yearly</i></p> <p>All suppliers involved in the project</p> <ul style="list-style-type: none"> - Have signed and agreed to adhere to Abengoa’s Social Liability Code, including Abengoa’s Code of Conduct - Have reported, or are committed to report, the emissions associated with the products and services provided <p>Supplier training related to relevant areas, at least on health and safety conditions, environmental good practices, ethics, use of corporate management tools and product quality standards.</p>
Promotion of ethical practices	<p>All employees involved in the project received yearly training on Abengoa’s Code of conduct and on Abengoa’s internal manual of procedures (anti-corruption, suppliers relations, whistleblower system, compliance ...)</p> <p>Whistleblower channels available to all employees and stakeholders to submit complaints or concerns regarding Abengoa management, and report breaches of the Code of Conduct or any other potential irregularities or acts contravening the ethics, legality and norms</p> <p>Corruption and preventive fraud-related audits have been conducted, by the dedicated Fraud Prevention and Detection Unit if project location or business segment is considered critical (according to country risk analysis)</p>
Project governance	Ensure appropriate ESG assessment and project compliance
ESG risks management	<p>CSR-related risk analysis have been conducted during the feasibility study and will be conducted again in the project facilities under construction or in operation; and ad hoc diligences and/or mitigation and prevention measures are devised for each risk identified</p> <p>Sustainability prevention meetings are conducted regularly at subsidiary level to review Quality, Environment, Health & Safety, CSR and Legal related issues</p> <p>All employee involved in the project received annual training on sustainability</p> <p>Global footprint of the project is measured (construction and/or operation) to evaluate project impacts on its environmental, social and economic surroundings, and then to implement mitigation measures <i>Reference values : 30% water re-used, 10% of renewable energy, 60% of recycling rate, 60 of recycled materials, carbon footprint under the average project category, 70% of national contract and 40% of local contract</i></p>
Audit and internal control	<p>Project is integrated in the Corporate Compliance program, a set of internal procedures and norms of obligatory compliance, preventing poor business practices and non-compliance are monitored</p> <p>Project subsidiary is audited twice a year to control, assess and make improvement recommendations on Quality, Environmental, Health and Safety, GHG inventory and Social Labor Responsibility domains</p>

Reporting

The project outcomes and ESG selection criteria will be assessed by Abengoa by relevant indicators (as defined below), selected from Abengoa's indicators already existing, to report on:

- **Fund allocation** at project level
- **Environmental and social outcomes** collected at project level and then aggregated at bond level
- **Responsible management** (ESG integration) monitored at project level and then aggregated at bond level

Annually and until the maturity date of the bond, an investor-dedicated section on projects financed by the net proceeds of the green bond issuance, on the compliance of the net proceeds' allocation with the above described process and on sustainability reporting indicators (outcomes and management), will be included within Abengoa's CSR Annual Report available on Abengoa website and verified by a third party (external auditor),

To report on the outcome measured or on the issue monitored, the company could substitute any of the selected indicators when it considers that it is more convenient and appropriate to disclose the performance and the management of such projects.

Fund allocation

Criteria	Reporting indicator
Projects financed by the green bond proceeds	List of projects Amount in € Date of the allocation

Environmental and social outcomes

Environmental and social outcomes	Reporting indicators
Fight against climate change: Avoiding or reduction of GHG emissions	Avoided CO2 emissions in tCO2e Reduction of GHG emissions in tCO2e
Contribution to energy transition Development of renewable energy Energy storage	Installed capacity in MW, renewable source and technology Biofuel production capacity in ML Bioethanol production capacity in ML Hours of energy storage or MW of energy storage capacity km transmission lines and Number of substations
Access to service: Access to clean electricity or to drinking water	Number of people or households supplied with clean energy Number of people or households supplied with drinking water
Local economic development: Local employment and/or local economic activity generated	Number of local jobs created during construction phase Number of local jobs created during operation and maintenance phase Economic activity generated in €
Protection of water resources Improvement of water treatment Improvement of network storage and transport capacity Reduction of water consumption	Km of pipes and number of pumping stations Water storage capacity in m3 Transport capacity in m3 of water/sec Water treatment capacity in m3/day m3 of desalinated water or of reused water

Responsible management

Domain	Criteria	Issue monitored	Reporting indicator
Environment	Energy and climate change	Project carbon footprint	GHG emissions of the project in tCO ₂ e
	Water management	Water consumption and use of recycled water	Total water and recycled water consumption en m ³
	Energy management	Energy consumption and use of renewable energy	Total energy and renewable energy consumption en MJ
	Waste management	Production and recovery	Total waste and recycling waste generated in tonnes
	Protection of biodiversity and natural resources	Utilization of natural resources and use of recycled materials	Total usage of materials and previously used materials
Social dimension	Communities' well being	Negative impacts on local communities	Actual or possible negative impacts mitigated
		External social actions	Investment in social action in € List of social actions

	Improvement of health and safety conditions	Health and safety	Accidents in the project and the frequency index
	Human rights	Employee training on human rights	instruction hours on HR
		Human rights violation	% of HR complaint resolved
Business ethics & creation of value	Promotion of local social and economic development	Local purchases	Purchases made from local suppliers
		Economic impacts of social actions (according to SROI methodology)	Social Return on Investment in €
	Sustainable customer relations	Customer satisfaction	Level of customer satisfaction
	Responsible procurement	Environmental factors in the supply chain	% of suppliers that were screened using environmental criteria
		GHG supply chain	Total GHG emissions of project suppliers in tCO ₂ e
		Social factors in the supply chain	% of suppliers that were screened using criteria for impacts on society
Promotion of ethical practices	Management of infringements of the Code of Conduct and concerns about unethical or unlawful behavior, and matters related to organizational integrity	Number of infringements and concerns and % of resolved cases	
Project governance	ESK risk management	ESG risk evaluation in project facilities	Number of High level risks of non-compliance and of third-party perception
		Employee training on sustainability	instruction hours on sustainability
	Audit and control	Project compliance	Number of incidents and concerns and % of resolved cases