

03. Responsible Business Model

# 3.2

## Corporate governance



85.7 %

independent external directors



13

meetings of the Board of Directors



14.3 %

Women on the Board of Directors



10

meetings of the Audit Committee



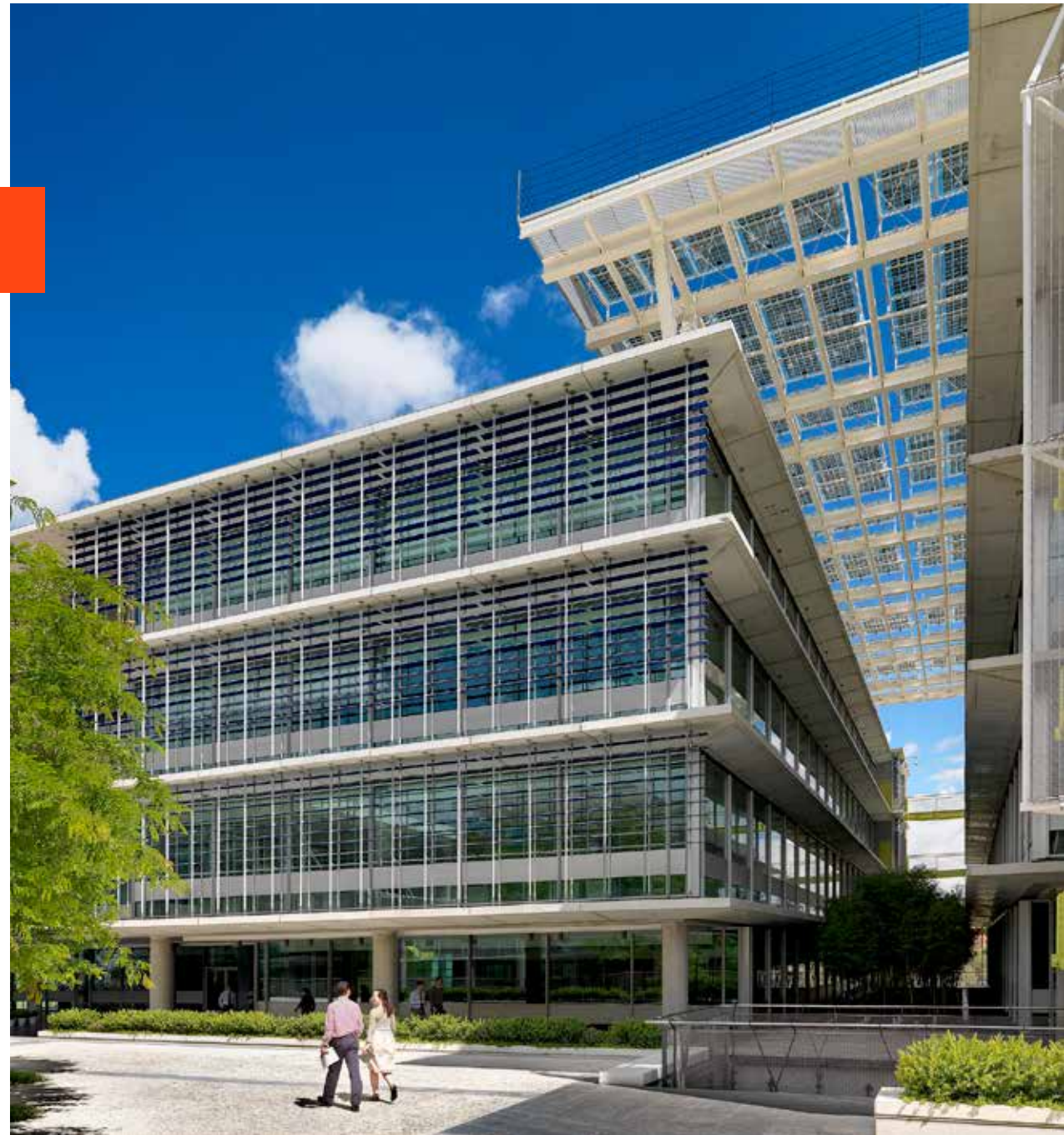
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female president of the committee



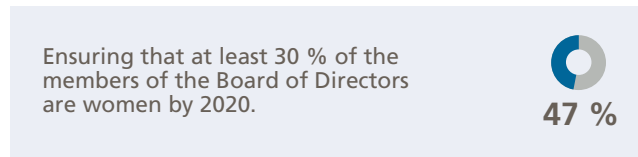
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meetings of the Committee of Appointments, Remuneration and Compliance



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Goals set forth in the 2019-2023 SCSR



For a company like Abengoa, it is necessary to have governing bodies which **generate trust among stakeholders, which guarantee an adequate strategy and which disseminate a culture of integrity**, especially after the financial restructuring processes undergone by the company in recent years. Therefore, Abengoa's corporate governance is regulated by the **principles of efficiency and transparency** set forth according to the main existing recommendations and standards, such as the International Corporate Governance Network (ICGN) or the Unified Code for Good Governance of listed companies of the CNMV<sup>1</sup>. These mechanisms will allow Abengoa to reposition itself as **one of the main players within the markets in which it operates**. In this regard, in March 2016 the Abengoa Board of Directors approved a **corporate governance policy** based on five fundamental pillars:

The **adaptation of the company's governing body**, its dynamics and organisation, according to the latest corporate governance practices, ensuring it has the optimum structure and configuration to guarantee that it can operate effectively, in accordance with Abengoa's actual situation.



Securing the **corporate interest**, understood as making the business profitable and sustainable in the long-run, promoting its continuity and maximising the economic value for Abengoa.

The **involvement of Abengoa's shareholders**, respecting the principle of equal treatment of all shareholders under the same circumstances, trying to foster their participation in corporate life and establishing mechanisms to guarantee effective and on-going communication with them. In this regard, Abengoa's Board of Directors has approved a communication and relations policy.

**Transparent management practices**, ensuring that the information disseminated to the market is true and correct at all times.

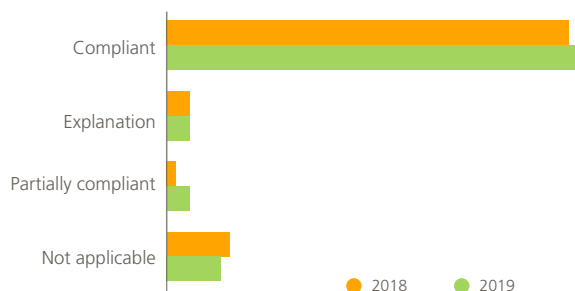
<sup>1</sup> Unified Code for Good Governance of the Companies Listed in the National Securities Market Commission (CNMV): document that formulates the requirements for all listed companies, with the purpose of ensuring such companies abide by the obligation to provide information about the "degree to which the corporate governance recommendations are monitored or, if applicable, an explanation about the reasons for not observing these recommendations" in its Annual Corporate Governance Report.

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Despite the difficult economic circumstances undergone by the company in recent years, the Board of Directors has always tried to be at the forefront of corporate governance, as evidenced by the fact that in 2019 Abengoa reported **compliance with 53 of the 57 recommendations of the Unified Code of Good Governance** of the companies listed in the CNMV that are applicable to it (compared to the 52 recommendations that were met in 2018). This is fundamentally due to the modification of the remuneration policy approved in 2019 to incorporate variable remuneration in shares into the long-term remuneration system for executive directors and managers, pursuant to the recommendations set forth in the above mentioned Good Governance Code.

Accordingly, steering decision-making processes under these guidelines not only ensures the company's operations are managed more efficiently but also **improves its profitability and contributes to sustainable development** in the areas in which the company operates.

Recommendations Unified Code of Good Governance 2015



## Governing bodies <sup>2</sup>

In accordance with the provisions set forth in current legislation, Abengoa has published the Annual Corporate Governance Report since 2009, with the aim of communicating to its stakeholders its performance in this area.

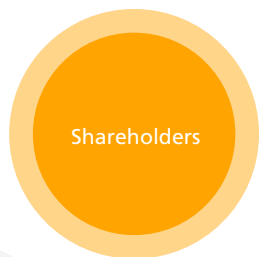
The highest governing body of the company is the **Board of Directors** which, as of the date of publication of this report, is made up of seven directors: six men and one woman, six of whom are independent and one executive chairman of the board.

The executive chairman does not have delegated duties from the board, but does have general joint and several powers with other representatives of the company. In this regard, in accordance with the provisions of the regulations of good corporate governance, many of which are reflected in the **Board of Directors Regulations**, since the same person may be the company's chief executive and the chairman of the board, the Board of Directors of Abengoa appoints a coordinating director selected from among its independent directors, a position which has been held by Mr. Castro Aladro since 2016. The coordinating director has a series of competences, the most important ones being to gather and coordinate the concerns of non-executive directors, call for the meeting of the Board of Directors or include new points in the agenda, contact investors and shareholders to learn about their points of view and concerns, specifically about the company's corporate governance approach, and guide the chairman's assessment process. In this regard, during the fiscal year 2019, the coordinating director held a monitoring meeting with independent directors, without the presence of the chairman.

The **Board of Directors Regulations**, in accordance with the provisions of the rules of good corporate governance, ensure that the directors have the necessary time and dedication required by the matters dealt with at the meetings. Thus, said regulation contains limitations on the assumption by directors of other positions in listed companies. Notwithstanding the foregoing and in strict compliance with the above mentioned limitations, the Chairman, Mr. Gonzalo Urquijo Fernández de Araoz, is a member of the Board of Directors of other listed companies: Ferrovial, S.A. and Gestamp Automoción, S.A. Likewise, Mr. José Luis del Valle Doblado is a member of the Board of Directors of Lar España Real Estate SOCIMI, S.A.; Mr. Josep Piqué Camps is director of Atrys Health S.A., Alantra Partners, S.A. and Amadeus Group IT, S.A.; Mr. José Wahnnon Levy is director of Distribuidora de Alimentación, S.A.; and Ms. Pilar Cavero Mestre is director of Merlin Properties. All the above mentioned appointments have been reported to the Board of Directors. **405-1,102-18**

<sup>2</sup> For more information, see [section C of the 2019 Corporate Governance Report](#).

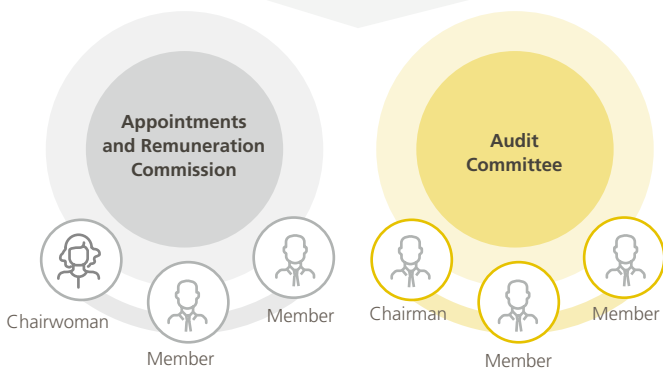
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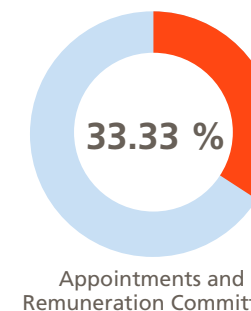
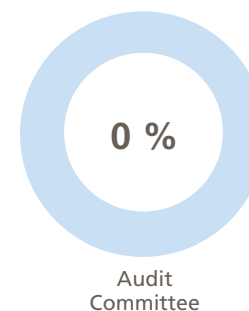
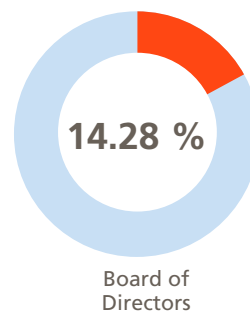
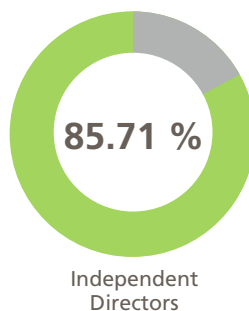
The current composition of the Board of Directors is as follows:

● Independent ● Executive

Director	Category	Position	CA	CNR	Seniority	Directors in other listed
1. Gonzalo Urquijo Fernández de Araoz	●	Executive chairman	NA	NA	4	Ferrovial, S.A. Gestamp Automoción, S.A.
2. Manuel Castro Aladro	●	Member Coordinating Director	Member	NA	4	NA
3. José Wahnon Levy	●	Member	Chairman	NA	4	International Distributor of Alimentación, S.A.
4. Pilar Cavero Mestre	●	Member	NA	Chairwoman	4	Merlin Properties, S.A.
5. José Luis del Valle	●	Member	Member	NA	4	Lar España real estate Socimi, S.A.
6. Ramón Sotomayor Jauregui	●	Member	NA	Member	4	NA
7. Josep Piqué Camps	●	Member	NA	Member	3	Atrys health, S.A. Alantra partners, S.A. Amadeus Group IT, S.A.



ABENGOA



Women



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The CV of all members of Abengoa's governing bodies is available on the company's website. [102-22](#), [102-23](#)

The Board of Directors has the most extensive powers in the management of corporate matters within the rules set forth by law also reviewing the tasks assigned to the different committees and commissions reporting to it. Thus, the Board of Directors is responsible for **approving, the company's general policies and strategies**, among others and, in particular, **the strategic or business plan**, as well as the **management goals, the investment and financing policy, the corporate social responsibility policy and the risk control and management policy**, of the latter being supervised by the Audit Committee. [102-19](#), [102-26](#), [102-27](#), [102-31](#)

**Social, economic and environmental matters are reviewed on a weekly basis** by the Executive Committee, a senior management body made up of the executive chairman, the general vertical and business manager, the manager of America, the financial manager, the strategy manager, the human resources manager and the general secretary, subsequently reporting these matters periodically to the Board of Directors. [102-20](#)

During the 2019 fiscal year, **the board met 13 times** to discuss a wide variety of matters, both operational and strategic, including the following:

- **Monitoring and approval of the financial restructuring process** started in 2018 and completed in April 2019.
- **Monitoring** and, where appropriate, **approval of divestments**, mainly including the beginning of the competitive sales process of A3T, in accordance with the provisions of the restructuring agreements and the approval of specific asset monetization operations.
- **Monitoring of the liquidity and guarantees,**
- **Revision** and, where appropriate, **approval of offers.**
- **Monitoring** of the different **business units.**
- **Health and Safety.**

Likewise, the Board of Directors **approved in February 2019 the 2019-2023 Strategic CSR Plan (SCSRP)**. The SCSR defines the company's framework and guidelines with a series of actions that can integrate the expectations of stakeholders into the organisation's strategy, identifying concrete goals and designing specific actions that help develop a responsible business fabric to create a sustainable and global development model. The CSR management is responsible for presenting the Non-Financial Information Statement and Integrated Report to the Executive Committee and Board of Directors. These must include the main activities and impacts of the company, describing its strategy, its business model, its goals and challenges, and the performance indicators, together with the Responsible Management Balance Sheet and the key indicators of non-financial results.

Likewise, senior management members responsible for non-financial information will hold regular meetings with the chairman and the Executive Committee to review and analyse all aspects associated with social, economic and environmental matters, which will be regularly reported to the Board of Directors. [102-20](#)



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## Corporate governance structure

Notwithstanding the foregoing, in accordance with the good governance practices, specialised committees are required to strengthen and guarantee the efficiency of the Board of Directors' role. Accordingly, Abengoa's Board of Directors is assisted by two committees: the **Audit Committee and the Appointments, Remuneration and Compliance Committee** which, taking into account the current structure of the Board of Directors and the company's current needs following the restructuring process, are considered sufficient. Nonetheless, in its effort to adapt to the best practices in corporate governance, the company could assess the future need to create additional committees that assist the Board of Directors in its duties, for example, in matters of sustainability.

### Audit Committee

The Audit Committee was created in 2002 and is currently made up of three members; all of them independent, which equips it with greater objectivity in performing its duties. The chairman of the committee is Mr Wahnon Levy, appointed according to his accounting and auditing knowledge and experience. Likewise, the other two members of this commission, Messrs. Castro y del Valle, have experience in the matters over which this committee has power. The secretary of the board, who is not a member of the committee, acts as secretary of this committee. As an independent body, the committee **ensures that all companies observe the Code of Ethics in their operations.**

The **Audit Committee Regulations** describe the **functions and powers** of its members, including, among others:

- Preparing and submitting a report to the board regarding the **financial and non-financial information** of the company
- Reporting any **changes in accounting criteria** and the **risks on the balance sheet** and off the balance sheet.
- Supervising the **internal audit** services.
- Supervising the internal function of **risk control and management.**
- Helping **external auditors** to receive information on any matters that could jeopardise its independence and any others related to the process of performing the audit of accounts.
- Preparing an annual report on related **party transactions.**
- Providing prior analysis and reporting on the operations of **structural and corporate modifications** that the company may plan to carry out.

- **Supervising compliance with corporate governance rules**, the internal code of conduct on the stock market and the other internal codes of conduct and the **corporate social responsibility policy** including, among other duties:
  - The supervision of the communication strategy and **shareholder and investor relations.**
  - Regular assessment of the adequacy of the company's corporate governance system, ensuring it **promotes the corporate interest** and takes into account the **legitimate interests of the remaining stakeholders.**
  - **Supervision of the corporate social responsibility policy** established by the Board of Directors, ensuring that it is aimed at creating value.
  - Monitoring of the **corporate social responsibility strategy** and practices and the assessment of the level of compliance with these.
  - Supervision and assessment of the **relationship processes with the different stakeholders.**
  - The assessment of all matters related to the **non-financial risks** of the company.
  - Coordination of the **reporting process of non-financial and diversity information** in accordance with applicable regulations and international reference standards.

*102-25, 102-26, 102-29, 102-30, 102-31*

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During 2019, the Audit Committee met ten times to discuss a wide variety of matters, including:

- **Presentation** by the external auditor (PwC) of its **audit report** corresponding to fiscal year 2018.
- **Analysis of the independence of the external auditor** for the fiscal year 2018.
- **Review of non-audit related work carried out by the group auditor** to assess the possible **incompatibility in the position thereof as accounts auditor**.
- Information on the **entry into force of the application of new accounting regulations**.
- Presentation by PwC, as external auditor, of the **results of the limited review** carried out on the **interim financial statements** of the year 2019.
- Positive information to the board for the **drafting of the annual accounts of Abengoa S.A. and the consolidated statements of its group**, corresponding to the fiscal year 2018.
- **Supervision** of the **relations and communications** with the **regulatory bodies** (CNMV, etc.).
- **Presentation** to the board of the **financial information corresponding to the first, second and third quarter of 2019**.
- **Review** of the **valuation of significant assets of the company**.

#### Analysis of the impacts due to significant changes in accounting regulations.

- **Assessment of accounting impacts** of strategic operations.
- Presentation and **approval of the internal audit plan** of 2019.
- **Monitoring of the internal audit plan** of 2019 and the level of compliance with it.
- **Presentation and monitoring of the incidents detected** in matters of fraud.
- Presentation and approval of the 2019 internal audit plan **regarding the significant risks identified on the financial statements**.
- Monitoring of the **main risks of the projects in execution**.
- 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.
- **Assessment of the recoverability of the assets** through the findings obtained from the impairment tests.
- Information regarding the **complaint channeling policy**.
- **Monitoring and assessment** of the **complaints received and the investigations carried out** on them, as well as the adoption of measures depending on the result of investigations.





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#### Appointments, Remuneration and Compliance Committee

Like the Audit Committee, the Appointments, Remuneration and Compliance Committee, created in 2003, is made up solely of independent non-executive directors. Ms. Caverio is the chairwoman, with extensive experience and knowledge in the matters over which this committee has power. This committee is supported by a non-member secretary, Mr. Temboury, from outside the company, who also has experience in the above mentioned areas.

The main duties of this committee are to **advise the Board of Directors on matters regarding regulatory compliance, appointments, re-elections and dismissals, diversity and remuneration**, among others. This committee has been supported by independent experts on several occasions, such as in 2016, with the assistance of Spencer Stuart, who was in charge of submitting to the Board of Directors the corresponding proposals and/or reports regarding the appointment of directors and senior managers, as well as regarding the remuneration policy that was subsequently proposed to the General Shareholders' Meeting for approval, which was also attended by independent experts. [102-34](#), [102-35](#), [102-36](#)

Likewise, **the committee checks that the conditions for appointing a director** and the character or type assigned remain unchanged on an annual basis. This body is responsible for selecting the profiles that best represent the needs of the different stakeholders among professionals specialising in different areas and with a proven national and international track record. These professionals will be selected according to their merits and to cover open positions with professional profiles that are not associated with specific interests. All this in accordance with the provisions of the **director selection policy** approved by the Board on 30 March 2016.

In addition, as established in the director selection policy, the committee ensures that, when filling new vacancies, who are the most suitable candidates depending on the characteristics of Abengoa and the circumstances at all times is not the only aspect taken into account; in addition, the above mentioned selection procedures should not be biased by sex, religion, race, etc.

Another of the responsibilities of this Committee is to assess the performance of the Board of Directors and its executive directors, examining and organising the Chairman and CEO replacement process, reporting appointments and resignations of senior executives and on gender diversity matters.

For the annual evaluation of the Board for the fiscal year 2019 year, the committee was supported by the independent expert Russell & Reynolds, who has identified a number of areas for improvement, including the size of the Board. [102-24](#), [102-28](#)

The company takes a series of measures to include in the Board of Directors a number of women necessary to achieve a balanced presence between both sexes. The regulations of the Appointments and Remuneration Committee establish that procedures should be created and ensure that, when filling new vacancies, the following conditions are complied with:

- The selection procedures should not have implicit biases that hinder the selection of female directors.
- The company should deliberately seek and include, among potential candidates, women who meet the professional profile sought.

It is therefore the duty of the Appointments and Remuneration Committee to **report gender diversity issues to the Board**, and it should establish a representation objective for the least represented gender on the Company's Board of Directors and prepare guidance on how to achieve the above mentioned objective.





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Currently this committee is chaired by a female director.

It is also the duty of the Appointments and Remuneration Committee to **ensure compliance with the director selection policy**. This policy establishes that, when making the selection, it will be based on an analysis of the needs of the company and its group of companies, and should likewise take into account that appointments should foster knowledge, experience and gender diversity within the Board of Directors and that efforts should be made to ensure that in 2020 the number of female directors represents at least 30 % of the total number of members of the Board of Directors.

During 2019, the Appointments, Remuneration and Compliance Committee met eight times. The main duties were as follows:

- **Assessment of the operation of the Committee** in 2018.
- **Determining the (non) accrual of variable remuneration** in 2018.
- **Abolition of variable remuneration** in 2019.
- **Annual remuneration report and report for the General Meeting** of Shareholders about the operation of the Committee.
- **Supervision of activities of regulatory compliance and risks.**
- Analysis and preparation of the **new incentive plan for executives** MIP 2019-2024 (MIP I and MIP II).
- **Review** of some aspects of **senior management contracts** in the case of change of control of the company or group.
- **Reorganisation of the duties** of the Executive Committee.
- **Determination of the conditions of the contract** of senior management of Ms. María José Esteruelas.
- **Review of the compatibility conditions** of the executive director to be appointed as an independent director in another company.

In 2019, the ratio between the annual salary of the chairman and the average salary of other employees, including all geographies and types of contracts, was 67.59.

*102-38, 102-39*

The ratio of the percentage increase in the total annual compensation of the highest paid person in the organisation (-47 %) to the median of the percentage increase in the total annual compensation of all employees (-8 %) is 5.87. *102-39*

The **Remuneration Report**<sup>3</sup> includes the details of the average directors and executives remuneration, including variable remuneration, expenses, fixed remuneration, short and long-term variable remuneration, remuneration for members of the Committee and Board of Directors, severance pay and other forms of remuneration. Please refer to the Corporate Governance Report and Annual Remuneration Report for more information.

The average remuneration of senior management is described below:

Average salary 2019	Thousands of euros	
Management	267.6	
	Men	Women
Management Committee	197	186

Abengoa's is governed by two governing bodies: the Executive Committee -COEJ- (senior management) and the Management Committee -CODIR- (managers of the main corporate and operating units).

The average management remuneration earned in 2019, including fixed salary, variables<sup>4</sup> and in kind, stands at 267.6 thousand euros.

The Management Committee has an average remuneration: men and women, of 197 thousand euros and 186 thousand euros, respectively; which represents a 5.9 % difference<sup>5</sup>.



<sup>3</sup> Included in Note 33.3 Remuneration and other benefits.

<sup>4</sup> The perceived variable is calculated fractionally in 2019, although it corresponds to fiscal year 2018. No variable remuneration has been established in the fiscal year 2019.

<sup>5</sup> In the second half of the year, a directive passed from CODIR to COEJ. For the purposes of this report, it is considered in the CODIR.

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Shareholder relations. General Meetings

The **Board Regulations** establish that the **principle of equal treatment** must be applied to its relations with the company's shareholders in the same position and guided by corporate interests. As a consequence, it must create the mechanisms required to learn about shareholder proposals associated with corporate management, arrange informative meetings about the company's activities and progress and open the channels required for the on-going exchange of information with its groups of shareholders<sup>6</sup>.

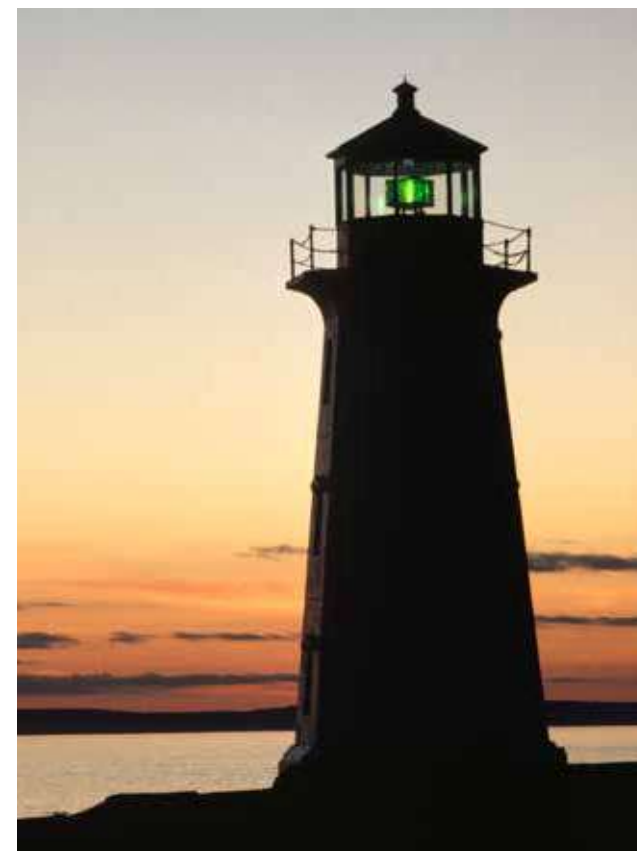
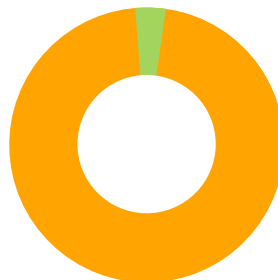
In this regard, during 2019 the financial director held various meetings with minority shareholders in order to review the company's progress and the new financial restructuring process that was launched in September 2018, as well as to learn about their concerns. In addition, the company's **Investor Relations department**, focuses on **leading and supervising all communications with shareholders and investors**, providing a **shareholder assistance portal**, which can be accessed from the website or by phone, and through which shareholders can communicate their questions and doubts. *102-21, 102-33, 102-34*

Likewise, as already indicated, the regulations also determine the need to appoint an independent director to, **contact investors and shareholders to learn about their points of view and concerns regarding** corporate governance. Mr Castro Aladro, Abengoa's Coordinating Director, is responsible for these roles.

During last fiscal year **two general shareholders' meetings**, were held, an extraordinary one held on March 28 2019 and an ordinary meeting held on June 25, 2019, with a **quorum of 16.60 % and 12.69 %** respectively, which is significant taking into account the dispersion of the company's shareholding, with no controlling shareholder. At both meetings, all items on the agenda were approved with an average percentage of votes for of **80.73 % and of 60.58 %** respectively.

Shareholding structure

- Ministry of Economy, Industry and Competitiveness-Secretary of State for Commerce
- Treasury stock
- Free float



<sup>6</sup> More information in the Financial Capital chapter.

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On the occasion of the call of the general meetings, all the documents are made available to the shareholders and the legally required information and the **Electronic Shareholders Forum**, is activated, with the aim of facilitating communication between shareholders and allowing them to submit:

- **Proposals** as a complement to the agenda announced in the call for the general meeting.
- **Applications to adhere** to the above mentioned proposals.
- **Initiatives** to reach the percentage sufficient to exercise a minority right.
- **Requests for voluntary representation.**

Likewise, since 2015, the company's bylaws sets forth that shareholders can exercise their **delegation and voting rights** through **remote means** of communication including electronic means.

#### Internal corporate governance rules

Abengoa's governing bodies are governed, in addition to the provisions of current legislation, by the following internal operating rules:

- 🔗 [Bylaws of Abengoa, S.A.](#)
- 🔗 [Regulations of the operation of the General Shareholders' Meetings Board Regulations](#)
- 🔗 [Internal Regulations for Conduct in the Securities Market](#)
- 🔗 [Internal Regulations of the Audit Committee](#)
- 🔗 [Internal Regulations of the Appointments and Remuneration Committee](#)
- 🔗 [Code of conduct](#)
- 🔗 [Corporate Governance Policy](#)
- 🔗 [Treasury Stock Policy](#)
- 🔗 [Communication and Contact with Institutional Shareholders and Investors Policy](#)

