

03. Responsible Business Model

# 3.3

## Transparency and anti-corruption



400

FCPA analysis



5

good practice committee sessions



10

communications in the complaint channel



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Goals set forth in the 2019-2023 SCSR



Implement improvements aimed at maximising the efficiency of the fraud prevention system. **100 %**

Promote training on aspects related to fraud, corruption, ethics and the code of conduct through the internal communication channels. **100 %**

Promote fiscal transparency and continue working in two-way communication with stakeholders, with the objective of providing the most relevant information 83 % in fiscal matters. **83 %**

Establish procedures to understand Abengoa's perception among its most critical consultants and stakeholders. (Dialogue panels). **15 %**

Increase presence and activity on social networks. **100 %**

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 consolidation of these values and principles is essential to overcome the different and complex financial restructuring processes in which the company has been immersed in recent times.

During 2019, Abengoa has continued to make **progress in its internal transformation process** in order to align its strategy, optimise the organisational structure, reevaluate internal policies and compliance programmes and finally transform the culture of the organisation, ensuring a continuous and **truthful flow of information** with stakeholders, in addition to **compliance with the law and respect for business ethics**.

The commitment to transparency requires a joint effort of the entire organisation, essential to generate relevant and objective information.

Therefore, Abengoa has **general policies** (Entity Level Control) approved and managed by the management that set the first level of defense (Code of Conduct, internal business rules, etc.), followed by some **Mandatory Compliance Procedures** (known as POC) regarding each process and activity that affects the company's financial information. Finally, there is a third level of risk defense consisting of an **independent Internal Audit department**.

This ERM (Enterprise Risk Management) is completed with other corporate governance bodies and committees, as well as a Compliance Officer who ensures regulatory compliance in the organisation.



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## Continuous improvement process

During the fiscal year 2019, Abengoa completed its second restructuring plan and both the Audit Committee and the Internal Audit department contributed to this mission by exercising their duties, advising the Board of Directors on decision-making and ensuring maximum reliability of the information reported.

Throughout the year, the **efficiency of the internal control system** continued to improve, always maintaining the highest levels of demand, according to the COSO (Committee of Sponsoring Organizations of the Treadway Commission) methodology. Along these lines, work has been done on **automating some internal control processes**, aimed at increasing the effectiveness of the control system, as far as possible, through SAP, the corporate ERP. Likewise, fraud prevention and detection work has been carried out at the parent company and subsidiary companies, aimed at mitigating its impact.

In 2019, after completing the second restructuring process, the **redesign of the internal control processes** affecting all areas of the company and the revision of the matrix of control activities began.

In this regard, the **creation of the Executive Committee of Business and Risks should be highlighted**, being made up of the Executive Chairman, the CEO of verticals, the CEO of geographies and the Human Resources, Financial, Water and Energy Business, Services Business, Transmission and Infrastructure Business, and Risk, Controlling and Purchasing department managers. The objective is to analyse any significant aspects of the business such as offers that due to their importance should be approved by the Executive Committee, monitoring of relevant projects, modifications of material margins and any business aspects which are deemed relevant. Their proposals are subsequently dealt with by the Executive Committee.



## Anti-corruption law

In its constant support for the fight against malpractices such as extortion, fraud or bribery, **Abengoa is subject** to the provisions of **anti-corruption legislation, both at national and international level** and especially the United States Foreign Corrupt Practice Act (FCPA). This law is applicable in any organisations that, regardless of their country of origin, carry out activities in the United States, and complements the internal control requirements set forth in section 404 of the Sarbanes-Oxley Act.

The FCPA prohibits bribes and commissions from foreign government officials whose purpose is to influence any act or decision that brings undue advantage, not only in the United States but also in the rest of the world.

Abengoa's common management systems are designed **to monitor and ensure compliance with anti-corruption mechanisms** by all company employees, executives and directors.

The **fraud prevention, detection and compliance plan developed** within the Internal Audit and Compliance areas aims at monitoring compliance with this standard in the development of the activity.

In this fiscal year Abengoa has carried out 400 analyses which have been carried out to comply with the FCPA. *205-2*

During 2019 the company made **contributions to professional associations amounting to 150,166 euros**, mainly chambers of commerce or associations related to the building or other industry. *102-13*

On the other hand, throughout the year **no contribution was identified** by Abengoa **to parties** and/or political representatives, either financially or in kind, directly or indirectly. *415-1*

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## Anti-corruption compliance system

205-2, 415-1

The fight against corruption is an aspect incorporated by Abengoa as a key part of its strategy almost two decades ago and has been improving and strengthening since then.

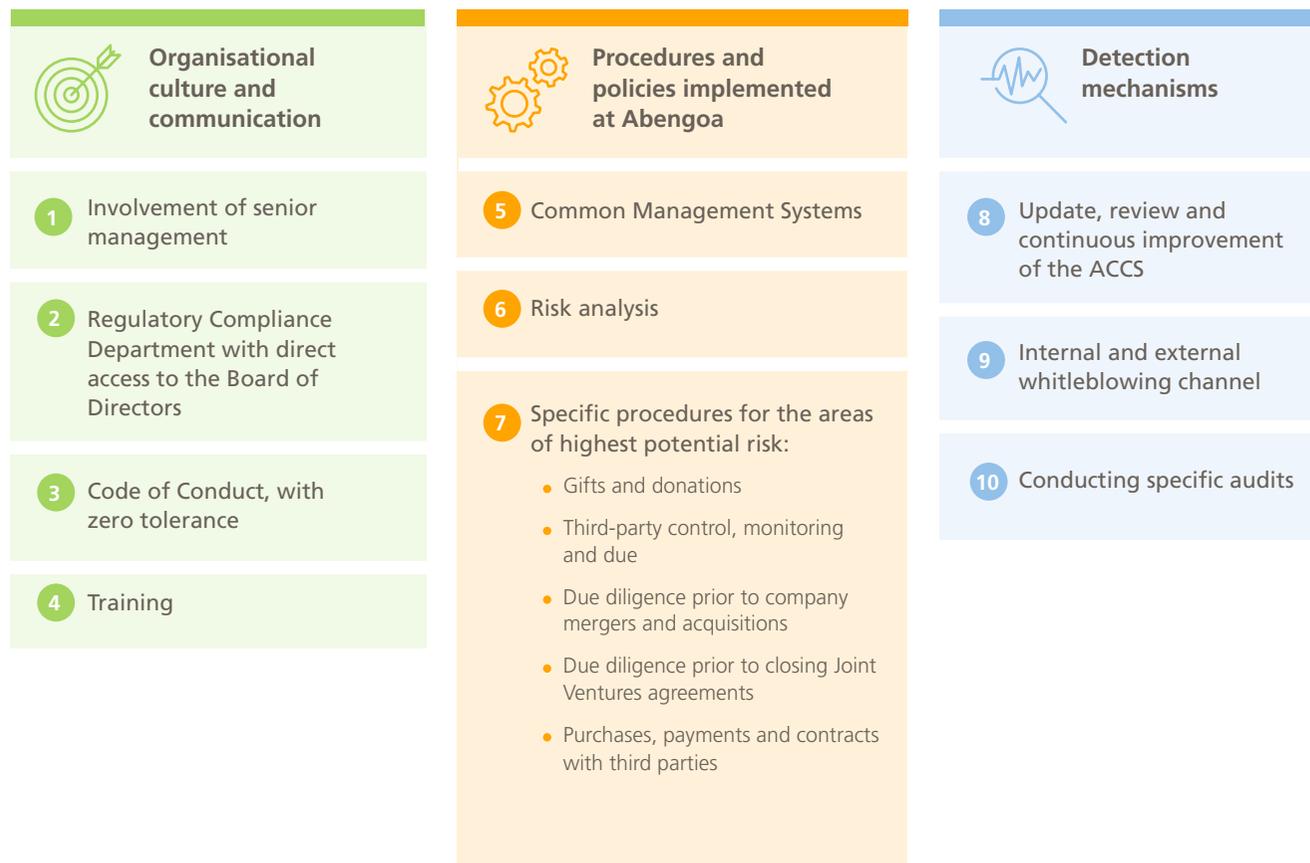
In 2002, it was one of the first companies to adhere to the **United Nations Global Compact**, an agreement by which signatory companies agree to manage their operations in accordance with ten principles based on universal declarations and conventions, which encompasses the fight against corruption in all its forms, extortion, fraud and bribery.

The effort has been increasing throughout the years. In 2013, the **regulatory compliance unit** was created within the General Secretariat. In 2014, this unit achieved its own autonomy, splitting from the General Secretariat and directly reporting to the Board of Directors. And, in February 2015, Abengoa became the first Spanish company to successfully pass an **external audit of its ACCS** (Anti-Corruption Compliance System), and publish these results.

The ACCS is promoted by the company's management bodies and is applicable to all employees, executives and directors of Abengoa and of the companies under its control. A compliance system does not guarantee the non-commission of any irregular practices, but rather helps prevent them and significantly increases the probability of identifying and mitigating them.

During the fiscal year, tasks continued to be developed related **to updating and improving the design of internal control under the COSO framework**, developing the general frameworks and guidelines on the company's risk management, internal control and fraud detection designed to improve corporate governance. In addition, **fraud prevention and detection work have been carried out in organisations with the aim of reducing its impact**. The Annual Audit Plan has a specific section on fraud and specific proof of fraud is included in the project review, internal control or financial audit work.

### The ten key elements of the ACCS



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

Abengoa is a company which, given its geographical diversification, should pay attention to the cultural features of the countries in which it operates. Nonetheless, **there are values, principles and guidelines of conduct that should guide the behaviour and consolidate the culture** of all the people in the group in the development of their professional activity, since they constitute the basic pillars on which the company's corporate culture is based.

Therefore, Abengoa has a Code of Professional Conduct that defines the work relationships of employees, executives and directors within the company, as well as relationships with stakeholders.

The above mentioned code **sets forth the guidelines for professional behavior which should govern the activity of the company and the prohibitions based on the values which define the corporate philosophy** of the organisation and guide the relationships of all employees with stakeholders, sharing the corporate values which are part of the group's ethical business culture.

It is vital for the organisation's employees to be acquainted with the code of conduct to ensure the practical application of its principles. The document is available on the Abengoa intranet to be consulted by its employees, as well as on the company's website ([www.abengoa.com](http://www.abengoa.com)) to facilitate its dissemination to the value chain and its stakeholders.



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## Internal control system

Abengoa implemented its internal control system more than ten years ago, taking **the COSO methodology as the framework to manage, identify and mitigate the risks** when preparing financial information.

With a **top-down approach**, internal control is driven by Abengoa's chairman across the company, ensuring the senior management and all employees are responsible for observing the corresponding internal control practices.

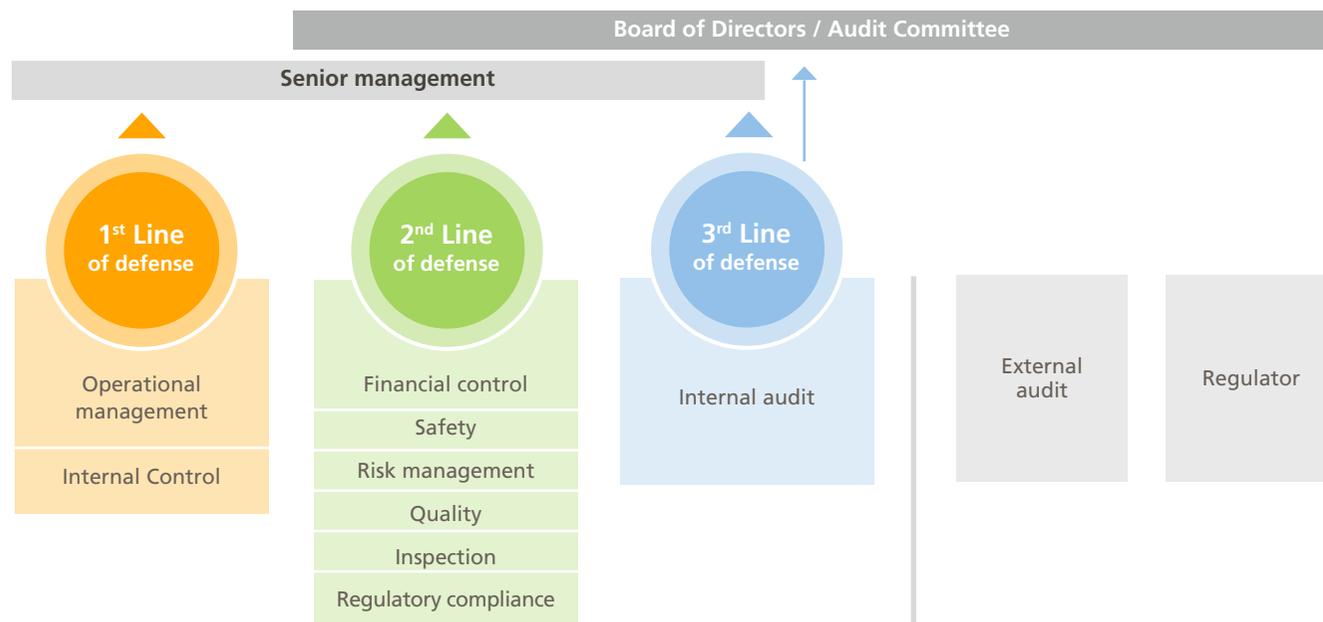
To monitor and test the operation of internal control, the Three Lines of Defense Model is followed, a model created by the **European Confederation of Institutes of Internal Auditing (ECIIA)**.

The **three lines of defense model** distinguishes three groups (or lines) taking part in risk management:

- **Operational business management**, owner and risk management areas used by the CMS (Common Management Systems).
- The different **controls**, areas that monitor risks, **risk management processes and the policies and functions of compliance** established by the management of the company.
- Areas providing independent assurance, such as the internal audit function.

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

Three lines of defense model for effective risk management and control



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## Whistleblowing channel <sup>103-2</sup>

One of the most consolidated instruments in the company is **thewhistleblowing channels (internal and external)**, made available to all stakeholders.

Both have been operational since 2007 and have been established according to the specific requirements of the Law Sarbanes – Oxley.

- **Internal:** available to all employees, who can communicate any type of complaint, grievance or claim.
- **External:** activated so that anyone outside the company can report irregularities and fraudulent acts or those contrary to the Code of Conduct of Abengoa. The channel is available on the Abengoa website.

Nonetheless, in addition to the complaints channels, any violation may be directly reported to the Chief Compliance Officer or to the Director of Internal Audit, as well as to duly authorised supervisors, executives and personnel.

Whistleblowing channels represent a very useful means of establishing a reliable and secure dialogue between any stakeholder and Abengoa’s management to address any possible irregularity, non-compliance or behaviour contrary to ethics, legality and the rules governing the company.

All complaints are received by the Corporate Compliance Officer and Internal Audit Manager. Once the investigation is concluded, all complaints are reported to the Audit Committee and to the chairman of the Board of Directors of Abengoa, who formally conclude the investigations and/or determine the measures, where appropriate, to be adopted in relation to the complaints received.

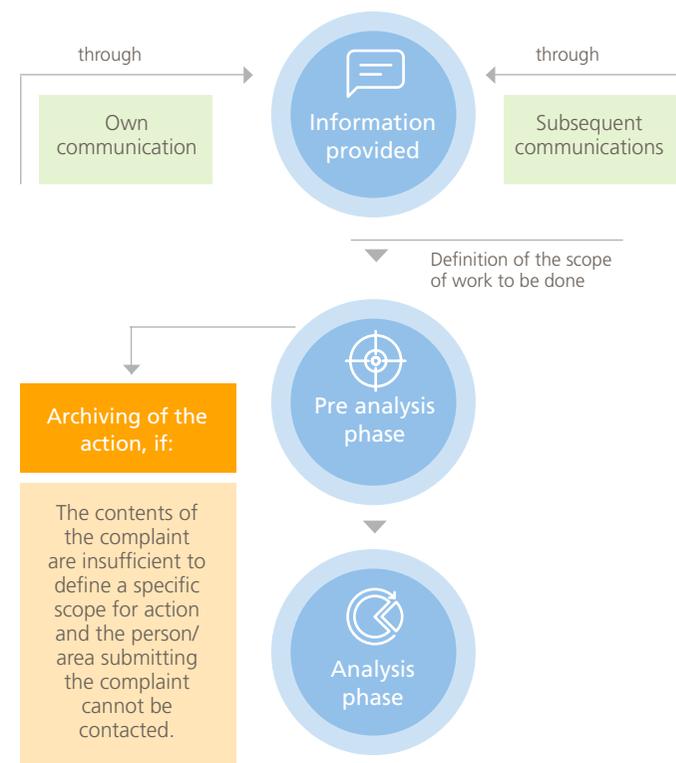
According to the **complaint channelling policy**, which defines the parameters and conditions under which all the information received is treated, it is specifically guaranteed that the tool can be accessed **confidentially**, allowing information

to be submitted anonymously and **without any retaliation for all complaints** reported on good faith. The policy establishes that the response protocol must start within a period of 48 hours after receiving the complaint.

### Steps to manage the complaint



The flow of the information received is as described below:



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The process is described in the following steps:

- When the notification is received, it is **assessed** confirm if it is within the scope of the whistleblowing channel.
- If the complaint is within the scope of the channel, the case is opened and a **preliminary analysis** is conducted. If the complaint is nominative, the person/area submitting the complaint is contacted to gather more information and define the scope of the analysis procedures more clearly and with all necessary details.
- The scope of the work is defined with the information provided in the complaint and in subsequent communications with the person/area submitting the complaint, followed by the **pre-analysis and analysis phases**. The company has 48 hours to provide a response to the person/area submitting the complaint.

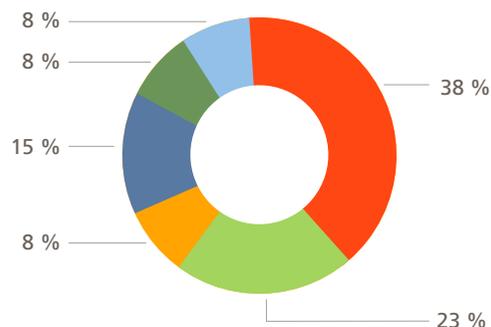
Confidentiality or, if applicable, anonymity and objectivity are preserved throughout all analysis phases.

In 2019, ten communications were received and nine proceedings were initiated.

Here follow the complaints classified by type of complaint:

#### Cases (complaints) received by type of irregularity

- Misappropriation
- Professional malpractice
- Employees in collusion with providers
- Failure to comply with internal policies
- Identity theft
- Unfair competition



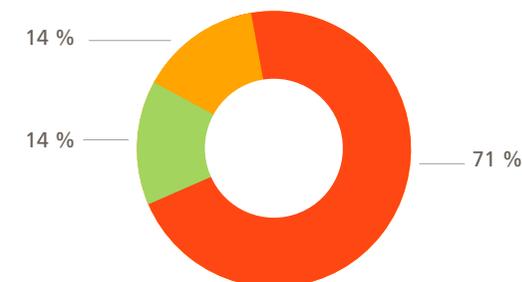
The geographical distribution of the complaints received during 2019 is shown below: [102-17](#)

	2019 (%)	2018 (%)	2017 (%)
Latin America	22	56	50
Africa	11	11	-
Europe	33	22	30
North America	-	-	-
Asia and the Middle East	33	11	20

Of the total actions subject matter of the channel, 70 % were archived, understanding as archived all complaints received and analysed in whose conclusions no specific measures or improvements have been proposed or implemented

#### Cases (Complaints) resolved by type of resolution [205-3](#)

- Archived
- Disciplinary measures
- Proposal for internal control improvement



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## Good Practices Committee

In 2019, the Good Practices Committee continued to be promoted, created in 2017 upon the request of the Audit Committee of the Board of Directors. In total, this committee met five times during the year.

This Committee assesses the cases in which Abengoa's **code of conduct is not observed** and/or possible **cases of internal fraud**, understood as a breach by managers of the mandatory policies and processes in which such actions have been instrumental to the perpetration or attempted perpetration of an offence or minor administrative misdemeanour within the scope of their roles.

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

### Areas for improvement and future challenges

The mechanisms guaranteeing adequate transparency, as well as the fight against corruption, always require continuous adaptation and improvement. In Abengoa's case, the effort should be increased to adapt to the new functional and corporate organisation which is being built after the second financial restructuring.

For this reason, the company is working on adaptation and rationalisation programmes of certain **internal control systems**, especially regarding the Common Management Standards (NOC) and their corresponding forms, which establish **the internal requirements and approval circuits for the most relevant business decisions** or those impacting the balance sheet, the income statement or its reputation.

During 2020, after completing the restructuring and with a more stable organisational structure, there are likewise plans to start a project of **optimisation and centralisation of the organisational structure management** in the management ERP (SAP). This process will help to optimise user profile management, control of work-flows in the system and automation of the internal control model, so that it results in an improvement of control over Abengoa's financial information.

In addition, this measure will also help prevent fraud and corruption.



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## Responsible taxation

Abengoa has a firm commitment to managing **tax-related matters, using good practices and acting with a transparent approach**, in compliance with the applicable tax regulations and obligations in each jurisdiction in which it conducts business.

In these regards, Abengoa makes a **responsible and efficient** effort to meet its tax obligations, with the aim of avoiding significant risks and possible future conflicts.

To estimate the total tax contribution Abengoa uses the methodology following the cash criterion, by means of which data referring to input taxes or taxes collected by the group are gathered. Input taxes refer to any amount of tax paid which represents a cost to the company and, therefore, has an impact on the income statement, such as corporation tax, among others.

In contrast, taxes collected are generated by the company's own activity, with the company being responsible for entering those taxes in each Tax Administration, but do not involve any cost, such as value added tax.

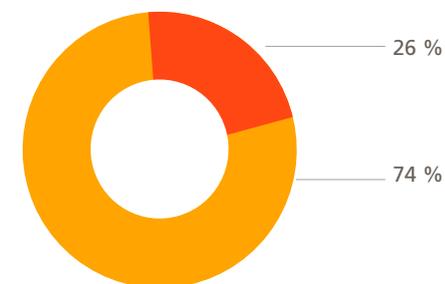
Abengoa's total **tax contribution in the fiscal year 2019 amounted to 155.5 €M**, representing 10.41 % of its revenue. This means that for every € 100 of revenue, Abengoa pays € 10.41 in tax.

In the detail of these magnitudes, it should be noted that income tax represents 52 % of the total input taxes, while value added tax (or similar tax) represents 74 % of the total taxes collected.

In 2019 Spain and Latin America represented 71 % of the total taxes paid by Abengoa, with Brazil representing 41 % of the taxes paid in Latin America.

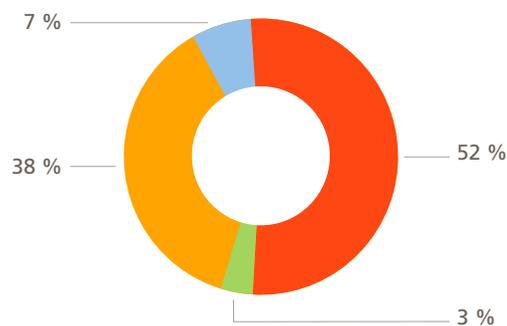
Taxes collected. 134,115.6 €

- Taxes associated with employment
- Value added taxes



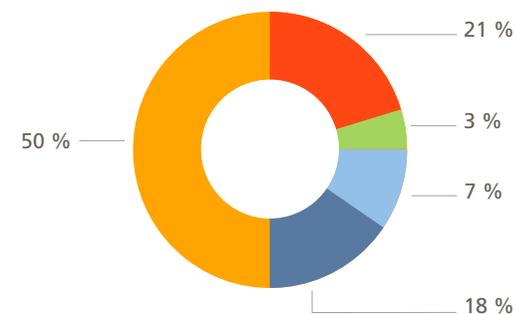
Input taxes. 21,341.8 €k

- Income taxes
- Real estate taxes
- Environmental taxes and other taxes
- Taxes on operating activities



Taxes paid, by region

- Spain
- Europe
- North America
- Rest of the world
- Latin America



<p><b>155.5 €M</b> tax contribution 2019</p>	<p><b>639.9 €M</b> tax contribution 2016-2019</p>
<p><b>21 %</b> taxes paid in Spain</p>	<p><b>10.5 %</b> of the revenue allocated to pay taxes</p>

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Abengoa's tax strategy was approved by the Board of Directors and it is based on a series of basic **principle for action on all tax-related tax matters**:



As regards the prevention of financial risks, fraudulent actions and money laundering, Abengoa makes explicit reference in its policy **that investments made in tax havens are solely based on purely justified economic and business reasons** not associated with other motivations at all, such as to receive tax benefits or be qualified as tax-exempt.

In addition, the organisation operates in other regions that, even though they are not included in the list of tax havens of the State Tax Administration Agency (AEAT), they are included in the lists of other international bodies and observatories, which consider them territories with a lower tax burden than Spain. In this regard, it has subsidiaries or permanent offices in Delaware (US), the Netherlands, Luxembourg, Uruguay and Switzerland. These subsidiaries have been created for strictly economic or business purposes, or to simplify mercantile and administrative processes, but not for tax evasion, money laundering or illicit activity funding reasons. *201-4*

