

Report by the Board of Directors of Abengoa, S.A. for the purposes provided by Section 286 of the Capital Companies Act regarding the rationale for the proposed bylaw amendment regarding item four of the agenda for the Extraordinary General Shareholders' Meeting called to be held on October 10, 2015 and October 11, 2015, on first and second call, respectively.

1. Purpose of the Report

This report is formulated by the Board of Directors of Abengoa, S.A. ("**Abengoa**" or the "**Company**") pursuant to the provisions of Section 286 of the restated text of the Capital Companies Act approved by Royal Legislative Decree 1/2010 of July 2 (the "**Capital Companies Act**") to provide a rationale for the proposed resolution regarding the amendment of articles 20 and 44*bis* of the Bylaws, which is submitted for the approval of the shareholders at the General Shareholders' Meeting of the Company called to be held on October 10, 2015, at 12:00 a.m., on first call, and the next day, October 11, 2015, at the same time, on second call, under item four on the agenda thereof.

Section 286 of the Capital Companies Act requires the formulation of a written report by the directors giving the reasons for the proposed bylaw amendment being submitted for approval at the General Shareholders' Meeting.

To facilitate the shareholders' understanding of the changes giving rise to the proposed amendment being submitted for their approval, an explanation of the purpose and rationale for such amendments is offered, including the proposed resolution being submitted for approval at the General Shareholders' Meeting.

2. Rational for the Proposal

Within the strategic and corporate governance strengthening plan assumed by the Company, the Board of Directors has resolved, among other measures:

- (i) To limit capex investments in new projects, contemplating for such purposes that the shareholders at the General Shareholders' Meeting may give instructions to the Board of Directors pursuant to the provisions of Section 161 of the Capital Companies Act; and
- (ii) To create a new committee, called the Investments Committee, in charge of supervising compliance with the instructions regarding capex investment commitments in new projects that the shareholders give to the Board of Directors. This committee is also entrusted with monitoring the budget and external capex goals that the Company establishes from time to time, reporting on commitments to increase and reduce financial debt, and monitoring the Company's financial deleveraging policy, and reporting on the dividend distribution policy and changes thereto.

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Based on the foregoing, the purposes of the proposed bylaws amendment is two-fold: on the one hand, to support the creation of such Investments Committee, establishing and regulating the composition, operation and powers thereof, for which reason it is necessary to amend article 44 *bis* of the Company's Bylaws; and on the other to allow the shareholders at the General Shareholders' Meeting, under the provisions of Section 161 of the Capital Companies Act, to give instructions to the Board of Directors regarding capex investment in new projects, for which reason article 20 of the Company's bylaws must be amended in order to remove the bylaw-mandated restriction contained in such article against the shareholders giving instructions to the board regarding certain management issues.

3. Proposed Resolution Submitted to the Shareholders at the Extraordinary General Shareholders' Meeting

The proposed resolution submitted to the shareholders for approval at the Extraordinary General Shareholders' Meeting reads as follows:

Four.- Amendment of the Company's Bylaws.

4.1 Amendment of article 20 of the Bylaws in order to remove the bylaw-mandated prohibition against intervention in management issues by shareholders at a General Shareholders' Meeting.

In order to allow the shareholders acting at a General Shareholders' Meeting of the Company to be able to give instructions to the Board of Directors or to submit for its approval the adoption of decisions or resolutions regarding certain management issues, upon the terms of the provisions of Section 161 of the Capital Companies Act, it is hereby resolved to approve the amendment of the text of article 20 of the Bylaws to remove the bylaw-mandated prohibition against intervention in management issues by shareholders at a General Shareholders' Meeting contained in the last paragraph of such article, which shall hereafter read as follows:

"Article 20.- General Shareholders' Meetings.

The General Shareholders' Meeting, legally constituted, represents all shareholders and exercises all of the rights that correspond to the Company.

Its resolutions, adopted in accordance with these Bylaws, are binding on all shareholders, including those that vote against resolutions, those absent or those that cast a blank vote.

The General Shareholders' Meeting will be responsible for discussing and agreeing the following subjects:

- (a) Approval of the annual financial statements, the appropriation of earnings and approval of the management of the company.
- (b) The appointment and dismissal of directors, administrators and, if appropriate, the accounts auditors, as well as bringing any shareholder derivative actions against any of these persons.

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- (c) Amendments of these Bylaws.
- (d) Approval and amendments of the Regulations of the General Shareholders' Meeting.
- (e) Capital increases or reductions.
- (f) Exclusions or restrictions of pre-emptive rights.
- (g) The acquisition or divestment of essential assets or their contribution to another company. Essential assets are defined as those in which the amount of the transaction exceeds 25% of the value of the assets that appear in the latest approved balance sheet.
- (h) The transformation, merger, split or full assignment of assets and liabilities, as well as transferring the company's registered address abroad.
- (i) Liquidation of the Company.
- (j) Approval of the final liquidation balance sheet.
- (k) The transfer of essential activities carried out by the Company, to subsidiary entities, even though the Company retains full control over them. Activities and operating assets shall be defined as essential when the volume of the transaction exceeds 25% of the total assets on the balance sheet.
- (l) Operations that are equivalent to winding up the Company.
- (m) The directors' remuneration policy.

The General Shareholders' Meeting shall also decide on any matter that is put to it by the Board of Directors, or by shareholders in the cases established by law, or those that are attributed to it by law and these Bylaws, and in accordance with the law, these Bylaws and its Regulations.

4.2 Amendment of article 44 bis of the Bylaws in order to support the creation and govern the composition and operation of a new investment committee of the Company's Board of Directors.

In order to support the creation and establish and govern the composition and operation of a new investment committee of the Company's Board of Directors in charge of supervising compliance with the instructions regarding capex investment commitments in new projects (CAPEX) given by the shareholders acting at a General Shareholders' Meeting to the Board of Directors, the approval of which is submitted for the consideration of the shareholders under item seven on the agenda thereof, it is hereby resolved to approve the amendment of the text of article 44 bis of the Bylaws, which shall hereafter read as follows:

"Article 44 bis.- Committees of the Board of Directors.

1. The Board of Directors may create committees with delegated powers, or other kinds of committees, and appoint the people that will sit on these committees

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from among the board's members, according to its own forecasts or legally established requirements. It may therefore define the regulations or internal rules that govern their functions and scope of application, composition, functioning, etc.

2. The Board of Directors is required to create and maintain a permanent Audit Committee, which shall be governed by the following provisions:
 - (a) The Audit Committee shall always consist of a minimum of three directors, appointed by the board, all of which must be external directors. At least two of the members of the Audit Committee must be independent directors and at least one of them shall be appointed due to their knowledge and experience in relation to accountancy, audit or both these areas. The Board of Directors shall also appoint the chairman of the committee from among the independent directors that form part of it. The position of secretary of the Audit Committee shall be held by the secretary of the Board of Directors or by the person that is appointed to this role by the board, as appropriate.
 - (b) The directors that form part of the Audit Committee shall only perform this role while they remain directors of the company's board, unless the Board of Directors agrees otherwise. The renewal, re-election and dismissal of directors that sit on the Audit Committee shall be decided by the Board of Directors. The position of chairman of the Audit Committee shall be held for a maximum period of four years. Previous chairmen of the committee may not be re-elected until a period of one year has passed from the end of their previous mandate, notwithstanding their continuity or re-election as an ordinary member of the Committee.
 - (c) Notwithstanding any other roles that may be assigned to the Committee by the Board of Directors at any given time, and by virtue of the current regulations, the Audit Committee shall perform the following functions in all cases:
 - (i) Inform the General Shareholders' Meeting about issues that arise in relation to matters in the Committee's area of competence.
 - (ii) Supervise the effectiveness of the company's internal control, internal audit and risk management systems, including the tax systems, as well as discussing with the accounts auditor any significant weaknesses in the internal control system detected during the course of the audit.
 - (iii) Supervise the process of preparing and presenting the obligatory financial information.
 - (iv) Make proposals to the Board of Directors to select, appoint, re-elect and replace the external auditor, as well as the conditions for engaging the auditor, including regularly reviewing information relating to the

audit plan and its execution with the auditor, as well as ensuring its independence in the performance of its duties.

- (v) Establish appropriate relations with the external auditor in order to receive information about any issues that may threaten its independence, so that these may be examined by the Audit Committee, and any other matters related to the process of auditing the accounts, as well as any other communications required under accounts auditing legislation and audit regulations. The Committee must always receive the external auditor's annual declaration of independence in relation to the entity(s) directly or indirectly associated with it, as well as information about any type of additional services provided by it and the corresponding fees received by the external auditor from these entities or by the persons or entities associated with it, in accordance with accounts auditing legislation.
- (vi) Annually issue, prior to issuance of the audit report of the financial statements, a report expressing an opinion about the independence of the accounts auditor. This report must contain, in all cases, an assessment of the provision of the additional services referred to in the above point (v), considered both individually and collectively, other than the statutory audit services, and in relation to the system of independence or the regulating audit legislation.
- (vii) Inform the Board of Directors, in advance, about all of the issues required by law, the company's Bylaws and the Regulations of the Board of Directors, and in particular:
 - The financial information that the company must periodically publish;
 - The creation or acquisition of shareholdings in special purpose entities or entities registered in countries or territories that are considered as tax havens; and
 - Transactions with related parties.
- (viii) Any matters within its area of competence that may be requested by the chairman of the Board of Directors.
- (ix) Any other function attributed to it by the Board of Directors in its corresponding Regulations.

The conditions established in points (v), (vi) and (vii) above are notwithstanding the legislation regulating the auditing of accounts.

- (d) The functioning of the Audit Committee shall be governed by the rules determined by the Board of Directors in its corresponding Regulations.

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3. The Board of Directors is also required to create and maintain a permanent Appointments and Remuneration Committee, which shall be governed by the following provisions:
 - (a) The Appointments and Remuneration Committee shall consist of a minimum of three directors, proposed by the chairman of the board based on a prior report from the Committee and appointed by the Board of Directors, all of whom must be external directors. At least two members of the Appointments and Remuneration Committee must be independent directors. The Board of Directors shall also appoint the chairman of the Committee from the independent directors that form part of it. The position of secretary of the Appointments and Remuneration Committee shall be held by the Remuneration Manager or by the person that is appointed to this role by the board, if applicable.
 - (b) The directors that form part of the Appointments and Remuneration Committee shall only perform their role while they remain directors of the company's board, unless the Board of Directors agrees otherwise. The renewal, re-election and dismissal of directors that sit on the Appointments and Remuneration Committee shall be governed by the Board of Directors.
 - (c) Notwithstanding any other roles that may be assigned to the Committee by the Board of Directors at any given time, and by virtue of the current regulations, the Appointments and Remuneration Committee shall perform the following functions in all cases:
 - (i) Assess the skills, knowledge and experience required by the Board of Directors. The Committee shall define the functions and skills required by candidates for each vacancy and assess the time and dedication required for the role to be performed correctly.
 - (ii) Establish a representation target for the under-represented gender on the Board of Directors and prepare guidelines of how to achieve this goal.
 - (iii) Submit proposals to the Board of Directors to appoint independent directors so that they may be appointed by co-optation or for the decision to be submitted to the General Shareholders' Meeting, as well as proposals for re-elections or dismissals of these directors, also to be submitted to the General Shareholders' Meeting.
 - (iv) Submit proposals to appoint the remaining directors so that they may be appointed by co-optation, or for the decision to be submitted to the General Shareholders' Meeting, as well as proposals for re-elections or dismissals also to be submitted to the General Shareholders' Meeting.

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- (v) Make proposals to appoint or dismiss members of the senior management team and the basic conditions of their contracts.
 - (vi) Analyze and organize the succession of the chairman of the Board of Directors and the Company's CEO, and make proposals to the Board of Directors so that this succession occurs in an organized and planned way, as appropriate.
 - (vii) Propose to the Board of Directors the remuneration policy for directors and general managers or those people that perform senior management functions reporting directly to the Board; members of executive committees or CEOs; as well as the individual remuneration and other contractual conditions of executive directors, ensuring that these conditions are fulfilled.
 - (viii) Any matters within its area of competence that may be requested by the chairman of the Board of Directors.
 - (ix) Any other function attributed to it by the Board of Directors in its corresponding regulations.
- (d) The functioning of the Appointments and Remuneration Committee shall be governed by the rules determined by the Board of Directors in its corresponding Regulations.
4. The Board of Directors is also required to create and maintain a permanent Investments Committee, which shall be governed by the following provisions:
- (a) The Investments Committee shall consist of a minimum of three directors, proposed by the Chairman of the Board based on a prior report from the Committee and appointed by the Board of Directors, and the majority of whom must be external directors. The Board of Directors shall also appoint the Chairman thereof from among the independent directors that form part of such Committee. The position of secretary of the Investments Committee shall be held by the person holding the position of Technical General Secretary of the Company or by the person that is appointed to this role by the Board of Directors for such purposes, if applicable.
 - (b) The directors that form part of the Investments Committee shall only perform this role while they remain directors of the company's board, unless the Board of Directors agrees otherwise. The renewal, re-election and dismissal of directors that sit on the Investments Committee shall be governed by the decisions of the Board of Directors.
 - (c) Notwithstanding any other roles that may be assigned to the Committee by the Board of Directors at any given time, the Investments Committee shall be responsible for:

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- (i) Control and monitoring of capex commitments. Capex is defined as the investment in capital or equivalent instruments in projects that involve the outflow of funds from the Company. For such purposes, it is responsible for proposing any commitment to invest capex in new projects, prior to approval thereof by the Board of Directors. Only the Committee shall have the power to propose new capex investments in new projects to the Board, with the Board abstaining from approving capex investment projects that have not been proposed to it by the Committee.
 - (ii) Monitoring the budget and external capex goals that the Company establishes from time to time.
 - (iii) Reporting on commitments to increase and reduce financial debt, and monitoring the Company's financial deleveraging policy.
 - (iv) Reporting on the dividend distribution policy and changes thereto.
- (d) The Investments Committee may function in accordance with the rules that may be determined by the Board of Directors in a specific regulation."

This report has been formulated and approved by the Board of Directors at its meeting of September 23, 2015.