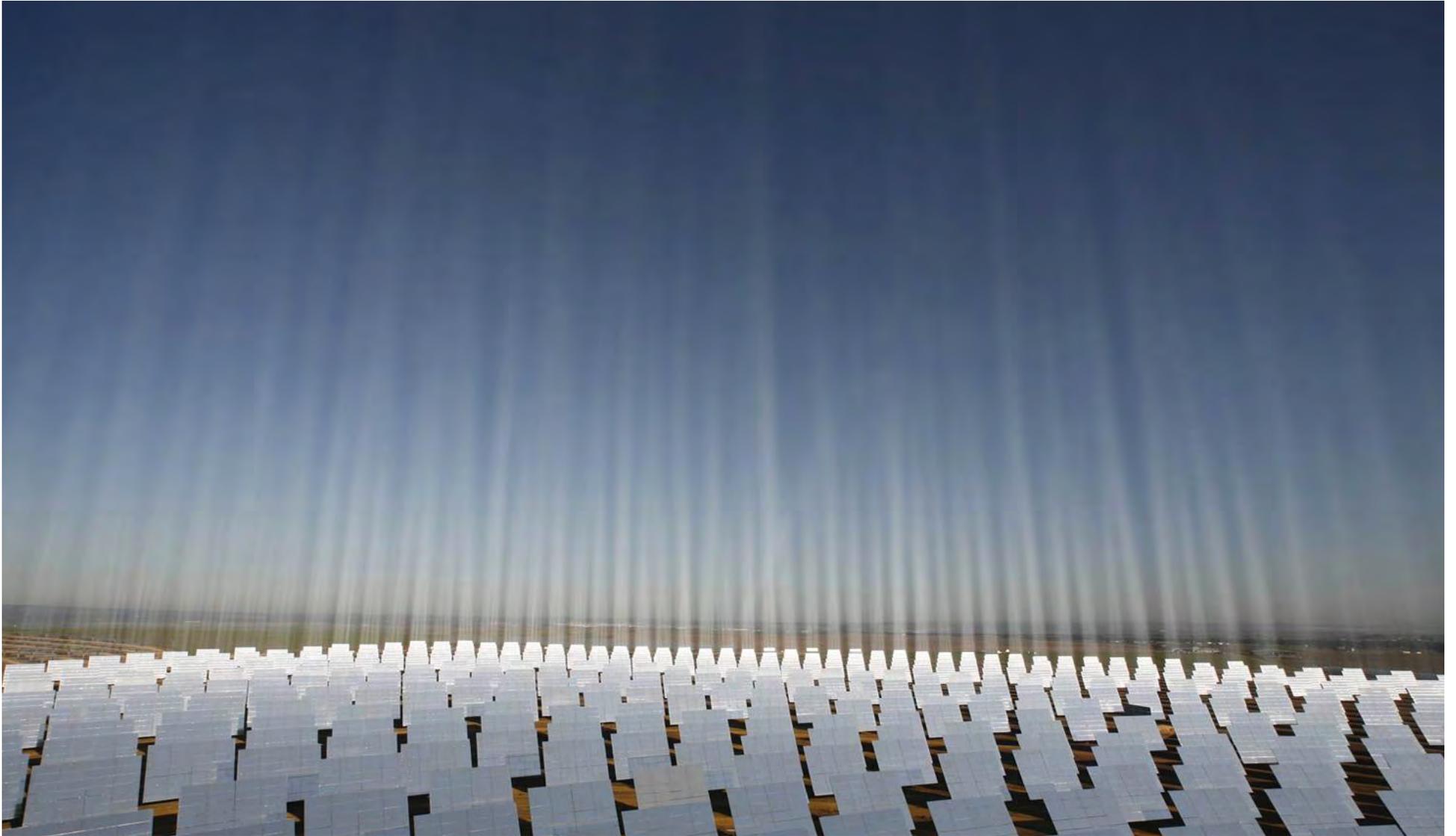


03 Audit Commission Activity Report



1. Introduction

The Audit Commission was created by the Board of Directors of Abengoa, S.A. on December 2, 2002 in accordance with art. 44 of the Bylaws with a view to incorporating the provisions of Act 44/2002 on Reform Measures of the Financial System (Ley 44/2002) relating to Audit Commissions. Abengoa also has a corporate governance system in place that remains compliant at all times with applicable law and best practices.

The Audit Commission Activity Report for the year 2015 has been approved at the meeting held by the Audit Commission on March 30, 2016, and presented to the Board of Directors on March 30, 2016. It will then be made available to the company's shareholders on occasion of the publication of Abengoa's annual report and, at the latest, by the time the General Shareholders Meeting is announced.

2. Composition of the Audit Commission

The Internal Regulations of the Audit Commission were approved by the Board of Directors on February 24, 2003 and contain the following provisions:

2.1 Composition, appointments and member profiles

The Audit Commission will have a permanent and minimum membership of three directors. At least two of these must be non-executive directors, thus maintaining the majority of non-executive members envisaged under the aforementioned Act 44/2002.

Members will be appointed to office for a maximum term of four years, which may be renewed for further four-year maximum terms.

The Commission changed its composition during 2015 to reflect the requirements of the corporate governance regulations applicable to listed companies in the USA.

Under Section 301 of the Sarbanes-Oxley Act (SOX), all Audit Commission members must be independent directors.

Furthermore, Section 407 of SOX requires at least one member of the Commission to be a qualified financial expert.

The Audit Commission is formed by non-executive directors and its current composition, together with the date on which each member was appointed, is as follows:

| | | | |
|-----------|----------------------------------|----------------------|--------------------|
| Chairman | Mr. Antonio Fornieles Melero | Independent | January 19, 2015 |
| Vocal | Prof. Mr. José Borrell Fontelles | Independent | November 19, 2014 |
| Vocal | Mrs. Alicia Velarde Valiente | Independent | February 23, 2011 |
| Vocal | Prof. Mrs. Mercedes Gracia Díez | Independent | December 12, 2005 |
| Secretary | Mr. Daniel Alaminos Echarri | Non-member secretary | September 15, 2014 |

As of March 17, 2015, Mr. Antonio Fornieles Melero was appointed Chairman of the Audit Commission. Afterwards the 2015 financial closure, as of March 1, 2016, as agreed by the Nominations and Retributions Commission, Mr Antonio Fornieles was appointed Executive President of Abengoa, giving up the Audit Commission. On the same date, Mrs Alicia Velarde was appointed President of the Audit Commission.

Following the aforementioned changes, Abengoa's Audit Commission now solely consists of independent directors.

Mr. Antonio Fornieles Melero

Graduated in economics and business studies from Universidad Complutense de Madrid and holds a diploma in senior management and business administration from the Instituto Internacional San Telmo business school.

Antonio has spent almost his entire career in the audit sector, from 1983 to 2014. He joined the Spanish Institute of Chartered Accountants in 1987 and was made a partner in KPMG in 1994. He was subsequently appointed to the KPMG board, responsible for the audit function in KPMG España and COO of the audit function globally. He is president of the Madrid and Castilla la Mancha division of the Spanish Institute of Chartered Accountants and was a member of the national management Commission and plenary council of this institution from 2006 to 2014.

He has been a lecturer in the faculty of economics and business studies at the University of Cádiz, and a regular speaker and lecturer in various universities and corporations on issues related to financial reporting, business management, corporate governance and ethics.

Prof. Mr. José Borrell Fontelles

Professor at the Chair of foundations of Economic Analysis, Madrid Complutense University. Graduated from the Higher Technical School of Aeronautic Engineering, Madrid Polytechnic University, PhD in Economic Sciences, Madrid Complutense University, Master in Operations Research at the Stanford University, Master in Energy Economics at the Paris French Petroleum Institute. He worked as an engineer at the Spanish Petroleum Company (1972-1981). From 1982 until 1996 he was appointed Budget General Secretary, Secretary of State for Finance, Minister for Public Works, Transport, Telecommunications and Environment. During the first half of the 2004-2009 legislature he was elected President of the European Parliament and in the second half Chairman of the Development Commission.

Mrs. Alicia Velarde Valiente

Earned her honors degree in law from the San Pablo Center for University Studies attached to Universidad Complutense. She has been a member of the Spanish notary association since April of 1991. Since then, Alicia has worked at various notary's office and has been at her current post in Oropesa (Toledo) since 2001. During the 1994-1995 academic year, she started to give classes in civil law at Universidad Francisco de Vitoria and continued to do so until 1999. She maintains close ties with the university today, and has been a lecturer in canon law under the doctorate program since 1999.

Prof. Mrs. Mercedes Gracia Díez

Professor of Econometrics at the Universidad Complutense de Madrid and the Centro Universitario de Estudios Financieros. She has published many scientific publications in the Journal of Business and Economic Statistics, Review of Labor Economics and Industrial Relations, Applied Economics and Journal of Systems and Information Technology. She was manager of the Balance-Sheet Management Department at Caja Madrid from 1996 to 1999 and responsible for the economics and law division of the National Evaluation and Foresight Agency (Agencia Nacional de Evaluación y Prospectiva) from 1993-1996.

Mr. Daniel Alaminos Echarri

Law degree specializing in business law from Universidad San Pablo CEU. He has been a state attorney since 1996 and is the General Secretary of Abengoa and Secretary of its Board of Directors.

Held various previous positions, including General Counsel of SEPI, the Spanish holding group for state-owned companies. Prior to joining Abengoa in 2014, Daniel was a partner in the capital markets division of the law firm Ramón y Cajal Abogados. He also has experience of restructuring savings banks, capital increases and restructuring major real estate and industrial groups, as well as advising on a wide range of issues, especially financial, technological and industrial matters.

2.2. Chairman and Secretary

The Audit Commission shall initially elect one of its non-executive directors as Chairman.

The Secretary to the Board of Directors shall act as Secretary to the Audit Commission.

2.3. Powers and duties of the Audit Commission

In accordance with its internal regulations and the external regulations applicable to it, specifically Law 44/2002 on financial system reform measures, the functions and responsibilities of the Audit Commission are as follows:

- › To report on the annual accounts and half-yearly and quarterly financial statements that must be submitted to regulatory bodies and market watchdogs. With mention made of the internal control systems, the control mechanisms to monitor implementation and compliance through internal audit procedures and, where appropriate, the accounting principles applied.
- › To report to the Board of Directors on any changes in accounting principles, balance sheet risk and off-balance sheet risk.
- › To report to the General Shareholders Meeting on those matters raised by shareholders that fall within its remit.
- › To propose the appointment of the external financial auditors to the Board of Directors, for subsequent referral on to the General Shareholders Meeting.
- › To oversee internal audit services. The Commission will enjoy full access to internal auditing and shall report on the process of selection, appointment, reappointment, removal and remuneration of the internal audit director and on the department's budget.
- › To be fully aware of the company's financial information reporting process and internal control systems.

- › To liaise with the external audit firm so as to receive information on any matters that could jeopardize the latter's independence and any other matters relating to the financial auditing process.
- › To summon directors to Commission meetings, at its discretion, in order to report on any such matters the Audit Commission deems fit.
- › To draw up an annual report on the activities of the Audit Commission, which must be published along with the annual accounts for the fiscal year.

3. Activities performed during 2015

3.1. Meetings

The Audit Commission met twelve times during 2015, attended by all of its members on each occasion. The Commission has issued the corresponding reports, prior to approval by the board of directors, relating to the financial information to be submitted to the regulators (the CNMV, National Securities Market Commission; and the SEC, Securities and Exchange Commission), as well as the reports relating to approval of the conditions of the asset sales between Abengoa and Abengoa Yield, in accordance with the procedures for authorizing and supervising related transactions between these companies.

Meetings and main issues discussed are the following:

Madrid, January 26, 2015

- › Approval of the second "ROFO" (Right of First Offer) between Abengoa, S.A. and Abengoa Yield.
- › Ratification of Deloitte, S.L. as financial auditor of the company, individual and consolidated.

Madrid, January 9, 2015

- › Approval of the activities report of the Commission for the exercise 2014.
- › Information about operations with related parties closed or forecasted for the exercise 2015.

Madrid, February 23, 2015

- › Economic information regarding to the Q4 2014.
- › External audit presentation with the conclusions of the 2014 audit.
- › Summary of the company's review of SOX internal control deficiencies.
- › Observance of the 2014 Internal Audit Plan.
- › Presentation of the 2015 Internal Audit Plan.
- › Follow up of the fees for audit and consulting services during the exercise 2014.
- › Information about the whistleblowing channel policy.

Madrid, May 4, 2015

- › Approval of a "ROFO" (Right of First Offer) between Abengoa, S.A. and Abengoa Yield.
- › Information about operations with related parties closed or forecasted for the following months.

Madrid, May 13, 2015

- › Economic information regarding to the Q1 2015.
- › Follow up of the 2014/2015 Internal Audit Plan.
- › Follow up of the fees for audit and consulting services with Big4 during the exercise 2015.
- › Information about operations with related parties closed or forecasted for the following months.
- › Information about the whistleblowing channel policy.
- › Review of the external audit services performed in subsidiaries.

Madrid, July 30, 2015

- › Economic information regarding to the S1 2015.
- › External audit presentation with the conclusions of the Limited Review as of June 30, 2015.
- › Follow up of the 2015 Internal Audit Plan.

- › Follow up of the fees for audit and consulting services during the S1 2015.
- › Information about the whistleblowing channel policy.
- › CNMV requirements.

Madrid, August 12, 2015

- › Approval and formulation of the individual statement of financial position of Abengoa S.A.

Madrid, September 2, 2015

- › Information about operations with related parties closed or forecasted for the following months.

Madrid, September 13, 2015

- › Information about operations with related parties closed or forecasted for the following months.

Madrid, November 2, 2015

- › Economic information regarding to the Q3 2015.
- › External audit presentation with the conclusions of the Limited Review as of September 30, 2015.
- › Follow up of the 2015 Internal Audit Plan.
- › Follow up of the fees for audit and consulting services during 2015.
- › Information about the whistleblowing channel policy.
- › Information about operations with related parties closed or forecasted for the following months.

Madrid, November 13, 2015

- › Economic information regarding to the Q3 2015.

Madrid, December 28, 2015

- › Audit of 2015 Annual Report.
- › Information about operations with related parties closed or forecasted for the following months.

Attendance to Audit Commission



3.2. Main activity areas of the Audit Commission

Meeting its primary function of providing support to the Board of Directors, the main activities discussed and analyzed by the Audit Commission can be grouped into the following different areas of competency:

1. External audit and Financial Reporting

- › Appointment and compensation
- › Scope of the engagement
- › Independence requirements
- › Significant audit points
- › Assessment of the performance of external auditors
- › Periodic reporting to CNMV & SEC
- › Suitable accounting policies
- › Other requirements

2. Internal audit

- › Bylaws, responsibility and resources
- › Scope of the work
- › Implementation of recommendations
- › Efficiency of internal audit function

3. Risks and internal control

- › Analysis of main risk areas
- › Efficiency of implanted controls
- › Risk of fraud

4. Corporate governance

- › Maintenance and gauging the effectiveness of control bodies
- › Communication and financial reporting
- › CSR activities
- › Compliance with ethical rules and concerns
- › Conflicts of interest
- › Related party transactions
- › Monitoring whistleblower channel

4. Tasks and Responsibilities

4.1. External audit and Financial Reporting

The tasks carried out by the Audit Commission in relation to the external audit and the company's financial reporting are summarized in the following table:

Monitoring of services

- › Reviewing services received by the external auditor, audit team, along with services rendered and fees
- › Looking into audit offers, focusing on services, strategies, terms of engagement and fees
- › Reviewing the independence of the auditor and its experience, including dealing with the auditor and a performance assessment.

Good governance practices

- › Being aware of any difficulties found in performing the audit, restrictions on access to information.
- › Being informed of internal control deficiencies, fraud, and illegal acts
- › Updates on issues that affect the independence of external auditors, including plans to rotate the principal audit partner

Planning of the external audit

- › Getting familiar to the external audit itself.
- › Understanding what the company expects from the auditor, type of services, time frames and information requirements.
- › Examining the track records and experience of the audit team
- › Appreciating that main area of risk will be tackled during the audit.

Financial reporting

- › Reviewing audited financial statements
- › Being informed and even discussing key findings of the audit and significant accounting policies, audit opinions, and quality of financial information.
- › Discussing any incidents detected with the management
- › Separated meetings with external auditor

During 2012, the Board of Directors and the General Meeting of shareholders approved the appointment of Deloitte as auditor of the financial statements of Abengoa and the consolidated financial statements of Abengoa and its subsidiaries for the year ended December 31, 2012 and the two following years. This appointment was also endorsed by the audit Commissions, boards of directors and general meetings or assemblies shareholders of the relevant group companies.

In addition, other firms collaborate in performing the audit, especially in small companies both in Spain and abroad, although the scope of their work is not significant for the group overall.

The Audit Commission's functions include ensuring the independence of the external auditor, proposing the appointment or renewal thereof to the Board of Directors and approving its fees.

SOX (Sarbanes-Oxley Act) internal control audit work has been assigned to these same audit firms following the same criteria. This is because, according to PCAOB (Public Accounting Oversight Board) rules, the firm that issues the opinion on the financial statements must also be the firm that evaluates internal control processes over the preparation of the these same statements, given that this internal control is a key factor in "integrated audits".

Abengoa follows a policy of having an external annual audit performed on all group companies, even if they are not obliged to do so because they do not meet the legal requirements.

A total of 13 new companies have been audited this year round, more than 95% of which are being audited by one of the four main international audit firms or "Big Four". The following table provides a breakdown of the global fees agreed upon with the external auditors for the 2013 audit, including reviews of periodic reporting and the internal control SOX audit:

| Geography | Firms | Fees (€) | Companies |
|--------------|-------------|------------------|------------|
| Spain | Deloitte | 1,463,700 | 70 |
| | PwC | - | - |
| | Other firms | 33,865 | 5 |
| Out of Spain | Deloitte | 2,422,194 | 152 |
| | PwC | 276,478 | 6 |
| | Other firms | 936,623 | 50 |
| Total | | 5,132,859 | 283 |

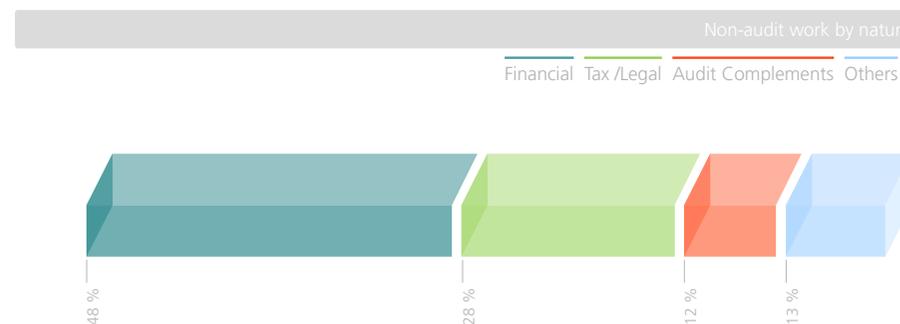
When assigning non-audit work to any of the "Big Four" audit firms, the company has a prior verification procedure in place so as to detect any possible incompatibilities that would prevent the firm from performing the work under the rules of the U.S. SEC (Securities Exchange Commission) or Spanish ICAC (Instituto de Contabilidad y Auditoría de Cuentas).

Additionally, Abengoa's condition like entity registered in NASDAQ forces us to carry out with the procedures established by the regulators of the mentioned market and concretely with the Law Sarbanes Oxley, developed later by the Securities and Exchange Commission (SEC). In this respect, the Audit Commission must pass in advance to his provision, all the services contracted with the auditor. During 2015 there have pre-be approved by the Commission the following services given by the external auditor:

- › Audit services (audit reports, limited reviews, comfort letters, etc.)
- › Services related to the audit (Due Diligence, report RSC, etc.)
- › Fiscal Services
- › Others (courses, seminars, etc.)

The following table reveals the fees payable to the Big Four audit firms for non-audit work performed in 2015:

| Firm | Fees (€) |
|---------------|-------------------|
| Deloitte | 2,439,102 |
| PwC | 2,670,532 |
| KPMG | 7,644,004 |
| Ernst & Young | 843,997 |
| Total | 13,597,635 |



The Audit Commission is, furthermore, responsible for supervising the results of the work of the external auditors. Therefore, it is promptly informed of their conclusions and of any incidents noted in their audits.

When required to do so, the external auditor has attended Audit Commission meetings to report on its areas of competency, which are essentially the following:

- › Reviewing the financial statements of the consolidated group and its component companies and issuing an audit opinion thereon.
- › Evaluation of the internal control system and issuance of an audit opinion under PCAOB (Public Company Accounting Oversight Board) standards, (SOX -Sarbanes-

Oxley Act- compliance).

- › Matters of special interest for certain matters or specific or significant transactions, the external auditor is required to provide its opinion on the criteria adopted by the company so as to reach a consensus.
- › Independent verification reports prepared by external auditors.

Thus, external auditors issued two reports in 2015, all forming an integral part of the annual report:

- › Audit report on the consolidated accounts of the group, in accordance with applicable law.
- › Voluntary audit report on internal control compliance under PCAOB (Public Company Accounting Oversight Board) standards, pursuant to the requirements imposed by section 404 of the Sarbanes-Oxley Act (SOX).

4.2. Internal Audit

The Audit Commission's functions include "supervision of the internal audit service" and "awareness and knowledge of the financial reporting process, internal control systems and the risks for the company".

In order to oversee the sufficiency, suitability and efficient working of the internal control and risk management systems, the Commission received regular information in 2015 from the head of internal audit in relation to:

- › The annual internal audit plan and the degree to which it had been met: progress and conclusions on the internal audit work performed, which essentially comprises the tasks of auditing financial statements, internal control SOX audits, common management systems audits, reviews of critical projects and construction work, and reviews of special areas, among others.
- › The degree of implementation of issued recommendations.
- › A description of the main areas reviewed and the most significant conclusions, which include audited and sufficiently mitigated risks.
- › Other more detailed explanations requested by the Audit Commission.

The Audit Commission is aware and has reviewed the audit reports performed during 2015 by the internal audit department. The tasks not included under the Plan related principally to general reviews of companies and projects that had not been envisaged in the initial planning.

A majority of the audits performed during the exercise focused in the compliance of internal controls under PCAOB (Public Company Accounting Oversight Board) standards, in accordance with the requirements of section 404 of the Sarbanes-Oxley Act (SOX). Through COSO standards, the company has developed frameworks and guidelines on risk management, internal control, and detection of fraud designed to improve corporate governance and reduce fraud.

Internal audit function at Abengoa

Internal audit function originated as an independent global function, reporting to the Audit Commission of the Board of Directors, with the principal objective of supervising Abengoa's internal control and material risk management systems.

Structure and team

Abengoa's internal audit function is structured around seven functional areas:

- › 1) Internal control audit
- › 2) Financial audit
- › 3) Projects audit
- › 4) Concessions audit
- › 5) Preventive fraud audit
- › 6) Non-financial audit
- › 7) Information systems audit

Additionally, each business group count with a responsible person in the audit department in order to participate in a coordinated way with the strategy definition, planning, and communication of recommendations.

Common Management Systems

The Audit Commission's main objectives concerning internal control over the preparation of financial reporting are:

- › Determining the risks of a possible material error in the financial reporting caused by fraud or possible fraud risk factors.
- › Analyzing the procedures for assessing the efficiency of internal control in relation to financial reporting.
- › Effectiveness of internal controls over the processes that affect Abengoa and its business groups.
- › Identifying material internal control deficiencies and weaknesses in relation to financial reporting and response capacity.
- › Supervising and coordinating any significant changes made to the internal controls related to the quarterly financial reporting.
- › Performing the quarterly processes of closing the financial statements and differences identified in relation to the processes performed at year end.
- › Rolling out plans and monitoring the actions implemented to correct the differences identified in the audits.
- › Measures to identify and correct possible internal control weaknesses in relation to the financial reporting.
- › Analyzing procedures, activities and controls that seek to guarantee the reliability of financial reporting and prevent fraud.

Internal Control Model

Abengoa's internal control structure is based on the integrated internal control framework established in the latest model from COSO (Commission of Sponsoring Organizations of the Treadway Commission) and complies with the requirements established in Section 404 of the US Sarbanes-Oxley Act (SOX).

According to this framework, companies must:

- › Prepare annual objectives regarding the efficiency and effectiveness of operations, the reliability of financial reporting, legal compliance and safeguarding the company's assets.

- › Identify and evaluate the risks could comprise these objectives
- › Define control activities to minimize the impact of these risks; and
- › Implement supervision systems to evaluate the quality of this process.

All of the above requires the support of an effective control environment and feedback with an effective reporting and communication system.

The new framework broadens the risk outlook to include negative or positive events, in other words threats or opportunities; identification of a tolerance level for the risk; as well as dealing with these events using risk portfolios.

In February 2010, the Spanish National Stock Market Commission (CNMV) published a document titled "Internal Control over Financial Reporting in Listed Companies" (ICFR), which contains two new legal obligations that listed companies must meet from 2011 onwards:

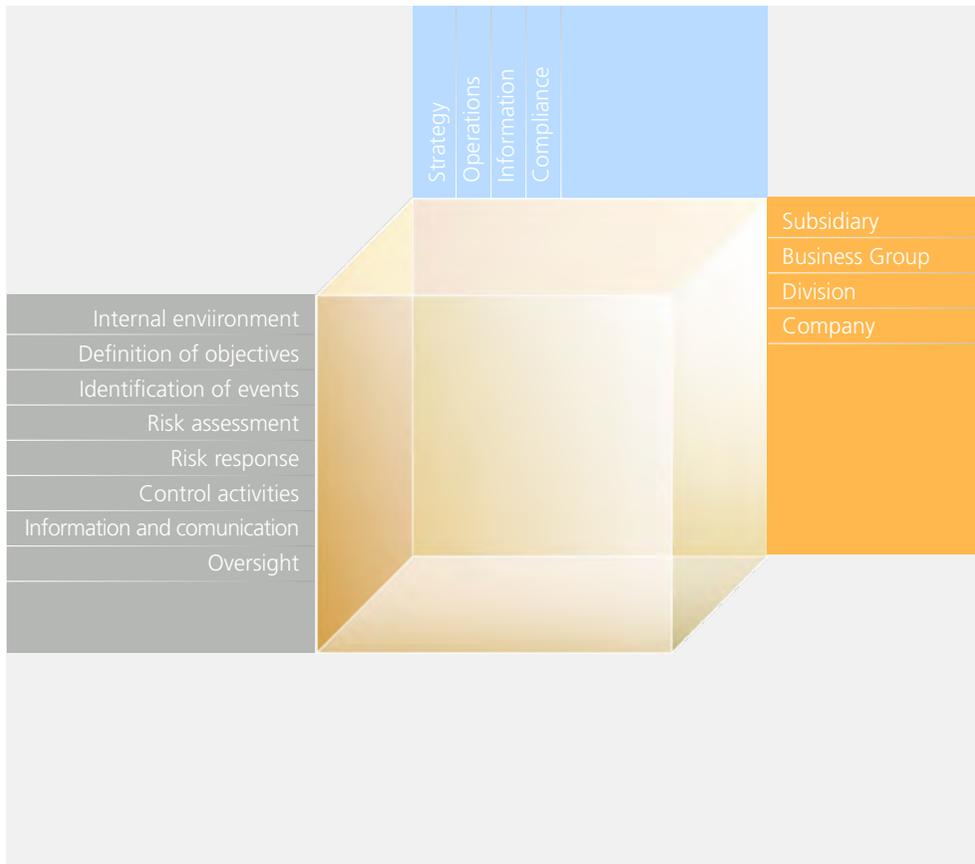
- › Audit Commissions will be responsible for supervising financial reporting and the efficiency of the company's internal control and risk management systems.
- › Companies will have to report to the markets on their systems of internal control over financial reporting through the Annual Corporate Governance Report.

CNMV document is based on COSO and incorporates 30 recommended practices divided into five components areas:

- › Internal control environment
- › Financial reporting risk assessment
- › Control activities
- › Information and communication, and
- › Supervision of system operation

Since 2007, Abengoa has been voluntarily submitting its internal control systems to external evaluation, with the issuance of an audit opinion under PCAOB standards and a compliance audit under section 404 of the Sarbanes-Oxley Act (SOX).

This means that Abengoa has been complying strictly with the reference indicators included in the Spanish CNMV's ISFR document for four straight years now.

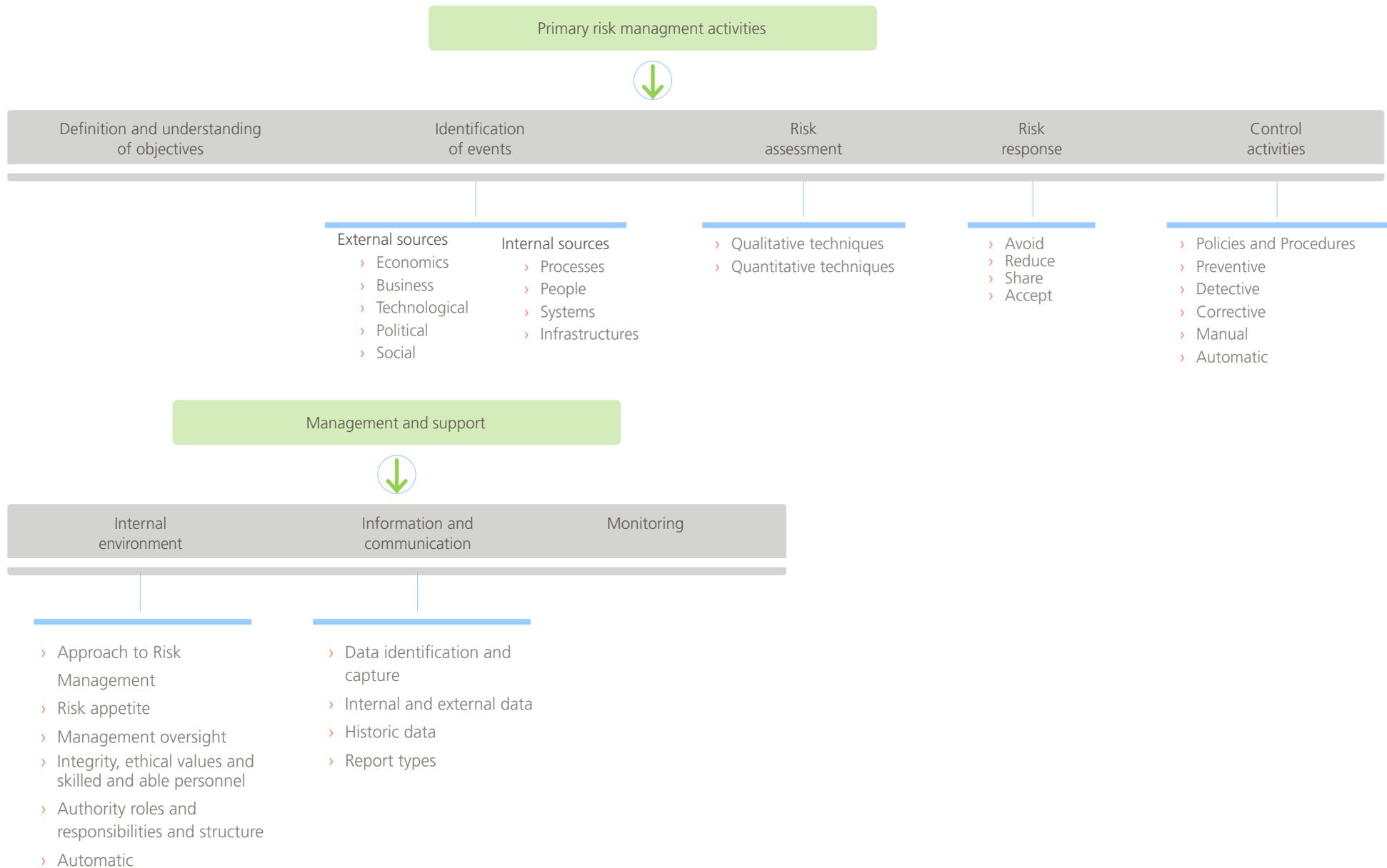


Risk Management Model in Abengoa

During 2015, Abengoa continued to grow, carrying on activities in more than 70 countries. To deal with this growth in a safe and controlled manner, Abengoa has a common business management system that allows it to work on an efficient, coordinated and consistent basis.

In forthcoming years, and principally with the consideration of being a company registered in NASDAQ, we will be faced with an environment characterized by greater regulatory requirements. In order to deal with this scenario, Abengoa considers risk management an indispensable activity and function for strategic decision making.

Abengoa is aware of the importance of managing its risks in order to carry out appropriate strategic planning and attain the defined business objectives. To do this, it applies a philosophy formed by a set of shared beliefs and attitudes, which define how risk is considered, starting with the development and implementation of the strategy and ending with the day-to-day activities.



Abengoa’s risk management system is shown in the following diagram:



The risk management process at Abengoa is a continuous cycle based on five key phases, as shown in the previous diagram:

- › Identify
- › Evaluate
- › Respond
- › Monitor
- › Report

In each phase, regular and consistent communication is necessary in order to achieve good results. Since it is a continuous cycle, permanent feedback is necessary in order to achieve a constant improvement in the risk management system. These processes are addressed to all the company’s risks.

Abengoa manages its risks using the following model, described in the company’s risk management manual, which is intended to identify the potential risks of a business:

| Strategic risks | | |
|----------------------------------|------------------------|---------------------------------------|
| Governance | Strategic R&D projects | Mergers acquisitions & disinvestments |
| Resource planning and assignment | Market dynamics | Communication & investor relations |
| Operational risks | | |
| Sales | Human resources | Thereats or disasters |
| Supply chain | Tangible assets | Information technologies |
| Financial risks | | |
| Markets | Accounting & reporting | Capital structure |
| Liquidity & credit | Taxation | |
| Regulatory risks | | |
| Codes of ethics and conduct | Legislation | Regulator |

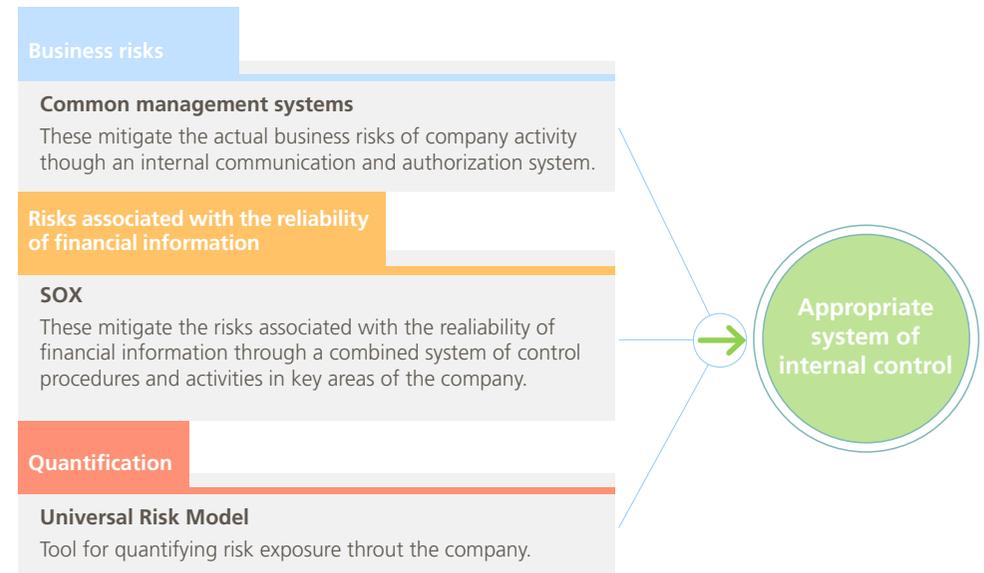
Risk treatment and response criteria are contained within the common management systems and must be observed by all employees.

The responses designed and included within the different elements that make up the Abengoa's risk management system pursue one of the following risk management scenarios:

- › Elimination: the risk is completely eliminated.
- › Reduction and control: the aim here is to reduce the risk as much as possible by using strategic or safety measures (diversification of supply, quality systems, maintenance, prevention, etc.).
- › Transfer to a third party: the risk is transferred to a third party, so that Abengoa holds no responsibility for the risk, whether through an insurance company or another third party (supplier, subcontractor).
- › Financial retention: if it has not been possible to otherwise control the risk, it is eventually accepted.

4.3. Risks and Internal Control

Abengoa's risk management model comprises three core elements:



Those elements combine to form an integrated system that enables the company to manage risks and controls suitably throughout all levels of the organization.

› **a) Common management systems**

The common management systems are the internal rules for Abengoa and its business groups and are used to assess and control risk. They represent a common culture for managing Abengoa's businesses, sharing the accumulated knowledge while defining specific criteria and guidelines.

The common management systems include specific procedures for any type of action that could give rise to a risk for the organization, whether financial or non-financial. Furthermore, they are available to all employees in electronic format regardless of their geographical location or role.

The functional heads of each division must verify and certify compliance with these procedures. This annual certification is issued by the Audit Commission in January of the following year.

The systems cover the whole organization at three levels:

- › All the business groups and areas of activity.
- › All levels of responsibility.
- › All kinds of operations.

Common management systems represent a common culture for Abengoa's different businesses and are composed of eleven rules defining how each of the potential risks included in Abengoa's risk model should be managed. Through these systems, the risks and the appropriate way of hedging against them are identified and the control mechanisms defined.

Over recent years, the common management systems have evolved to adapt to the new situations and environments in which Abengoa operates, with the overriding aim of reinforcing risk identification, covering risks and establishing control activities.

› **b) Compulsory procedures (SOX)**

The compulsory procedures are used to mitigate risks relating to the reliability of the financial information, employing a combined system of procedures and control activities in key areas of the company, which are intended to ensure the reliability of the financial information and prevent fraud.

SOX is a compulsory law for all listed companies operating in the United States and is intended to ensure the reliability of the financial reporting of these companies and protect the interests of their shareholders and investors by establishing an appropriate internal control system. Thus, although none of the business groups is required to meet SOX requirements, Abengoa deems it necessary to comply with these requirements throughout all of its component companies, since these requirements complement the risk control model used by the company.

The company has implemented an appropriate internal control system that relies on three tools:

- › A description of the company's relevant processes that could impact the financial information to be prepared. In this regard, 55 management processes have been defined and grouped into corporate cycles and common cycles used throughout all the business groups.
- › A series of flow charts that provide a visual description of the processes.
- › An inventory of the control activities in each process to ensure attainment of the control objectives.

Our work comprises the following aspects:

| | | |
|------------------------------|---|--|
| Processes | ➔ | Understanding the process of generating financial information |
| Risks | ➔ | Identifying potential areas of risk associated with the financial information |
| General control environment | ➔ | Identifying control systems employed by the management to mitigate risk |
| Assessment of control design | ➔ | Ensuring that control design is effective in mitigating risk |
| Testing | ➔ | Validating the operational efficiency and proper functioning of controls |
| Conclusion | ➔ | Conclusion on the degree of confidence in the controls, assessment of the impact associated with the generations of financial information and decision on whether to conduct further testing |

At Abengoa, we have viewed this legal requirement as an opportunity for improvement and, far from being satisfied with the rules included in the Act, we have tried to develop and improve our own internal control structures, control procedures and the evaluation procedures in place.

This initiative arose in response to the swift expansion experienced by the group in recent years and projected future growth, the aim for us to continue preparing accurate, timely and complete financial reports for our investors.

In order to meet the requirements of section 404 of the SOX, Abengoa’s internal control structure has been redefined following a “Top-Down” approach based on risk analysis.

This risk analysis encompasses a preliminary identification of significant risk areas and an assessment of the company’s controls over them, starting with top-level executives - corporate and supervisory controls – then dropping to the operational controls present in each process.

› **c) The universal risk model**

The universal risk model is the company’s chosen methodology for quantifying the risks that compose the risk management system.

Abengoa’s universal risk model is made up of 20 categories and a total of 56 principal risks for the business. Each categories are agrupated in four big areas (financial risks, strategic risks, compliance risks and operations risks).



Furthermore, the model is checked of periodic form. These updates are a joint responsibility of the department of internal audit, the management of risks and the people in charge of every indicator in every area. During the exercise 2015, two reviews of the model have been realized based on:

- › Probability of occurrence: Degree of frequency which is possible to ensure that a particular cause will result an event with negative impact on Abengoa.
- › Impact on the Company: Set of negative effects on Abengoa's strategic objectives.

4.4. Governance and Compliance

Self-assessment

Pursuant to Article 16.4.q) of the board of directors regulations, members of the Audit and Compliance Commission carried out their self-assessment at the meeting held on February 23, 2015, to evaluate the functioning of the Commission and the performance of the functions delegated to it by Abengoa's bylaws and the board of directors regulations.

Consequently, the Commission believes that it satisfactorily complies with its responsibilities, since it has met on sufficient occasions with meeting agendas that encompass all of the areas subject to its review, and has made extensive presentations of the different issues involved, all within a framework of an open debate without any type of restriction.

Company management implemented a code of professional conduct, the guiding philosophy of which is honesty, integrity and good judgment on the part of employees, managers and directors, as reflected in Abengoa's Annual Corporate Governance Report, which provides details of the company's governing structure, risk control systems, the degree to which recommendations on governance are followed and the reporting instruments; and in which the management's commitment to maintaining an appropriate internal control and risk management system, good corporate governance and ethical conduct on the part of the organization and its employees can be seen.

All departments, mainly human resources and internal audit, strive to ensure compliance with the code and notify management of any irregular conduct they may detect so that the appropriate measures can be adopted.

Whistleblowing channel

The system of Abengoa's internal control is provided with diverse mechanisms and procedures that allow to mitigate the risk of fraud.

In this way, following the guidelines set out in section 301 of the Sarbanes-Oxley Act ("The Act"), the audit Commission of the board of directors of Abengoa S.A. ("the company") has agreed to establish procedures to:

- › The receipt, retention, and treatment of complaints received by the company regarding accounting, internal accounting controls, or auditing matters;
- › The submission by employees of the company, on a confidential and anonymous basis, of good faith concerns regarding questionable accounting or auditing matters.

Therefore, Abengoa has two whistleblowing channels:

- › An internal channel, which is available to all employees, so that they can report any alleged accounting or audit irregularity or breaches of the code of conduct. Issues are reported by e-mail or post.
- › An external channel, available to anyone outside the company, so that they can report any alleged irregularities, fraudulent actions or breaches of Abengoa's code of conduct through the company's website (www.abengoa.com).

Whistleblowing policy guarantees no reprisals for whistleblowers, who may submit complaints on a confidential basis. However, both the channel internal and external complaints may be sent on the basis of confidentiality for the complainant or anonymously.

This politic apply to any employee of the Group, consultants, or suppliers with direct relation and commercial interest or legitimate professional.

For each complaint received, a specific work is performed by the internal audit team. Within the internal audit department, Abengoa has a specific unit dedicated to the investigation of complaints received through the various channels and the implementation of preventive nature works on fraud. Besides, in cases that involve highly technical matters, the company secures the assistance of independent experts, thus ensuring at all times that it has the sufficient means of conducting a thorough investigation and guaranteeing sufficient levels of objectivity when performing the work.

Foreign Corrupt Practices Act (FCPA)

The honesty, integrity and sound judgment of employees, executives and directors is essential to the company's reputation and success.

In pursuit of these principles, Abengoa adhered to the United Nations Global Compact in 2002. It upholds each of the ten principles enshrined in the initiative and works to integrate them fully into the strategy and policies governing the day-to-day running of the company. In relation to principle n° 10: "Businesses should work against corruption in all its forms, including extortion and bribery", Abengoa has various procedures in place to prevent any kind of corruption within the company.

In the fight against extortion, fraud and bribery, Abengoa upholds the provisions of the US Foreign Corrupt Practices Act (FCPA).

In particular, the FCPA criminalizes acts by companies and their executives, directors, employees and representatives to pay, promise, offer or authorize payment of anything of value to any foreign civil servant, foreign political party, heads of foreign political parties with the aim of achieving or maintaining business operations, or of obtaining any kind of improper gain. In conformity with FCPA, the payments realized to foreign civil servants indirectly generate legal responsibility as the payments realized in direct form. The Company or his civil servants or employees will be able to be considered to be responsible for the payments realized by commercial partners, as for example representatives of sales, advisers, agents, contractors, subcontractors, or others, in those cases in which the Company should realize a payment or should transfer another value to a commercial partner wittingly, or when motives for thinking should exist, of that it will be in use, in total or partial form, for realizing an undue payment to a foreign civil servant (this disposition is applied even in the cases in which the commercial partner is not subject to the FCPA). Also responsibility can exist in case the Company has knowledge of facts that suggest a "high probability" of which the commercial partner will deliver the totality or part of the value received to a foreign civil servant with a corrupt intention. In consequence, Abengoa will have to manage with precaution in his relations with commercial partners and have certain guarantee of which these will fulfill with all the laws anticorruption applicable.

The FCPA complements the requirements imposed by section 404 of the US Sarbanes Oxley Act (SOX). It applies all the actions realized by the commercial partners addressed to Abengoa and all his civil servants, the directors and employees of complete and partial time. This politics will be applied likewise to all the subsidiaries controlled by Abengoa. All the

commercial partners who represent Abengoa (including advisers, agents, representatives of sales, distributors and independent contractors) and who interact with foreign civil servants in Abengoa's name will have to expire with all the pertinent parts of this politics.

Conclusions

Compliance, composition and attendance

During 2015, the Audit Commission appropriately exercised the responsibilities assigned to it by the company's bylaws and the board of directors' regulations.

In accordance with best practices on corporate governance, and in particular with the requirements established by the regulations applicable to companies listed on the Nasdaq stock exchange (Rule 10A-3(b) of the Exchange Act), the Audit Commission has modified its composition and now solely consists of independent directors, in line with the aforementioned rule. Abengoa is committed to comply with this requirement within a period of one year starting from the admission to trading of its shares on the Nasdaq market, which occurred in October 2013.

The Commission's meetings in 2015 were attended by all its members.

Functions and activities

The Commission has had continuous contact with the chief compliance officer, the internal audit manager, the reporting manager, the joint-CFO, the investor relations manager and the corresponding managers from Abengoa's other divisions, as well as the accounts auditor, and has been able to verify the quality and transparency of the Group's regular financial reporting and the effectiveness of its internal control systems.

The monitoring of the accounts auditor's work, the review of its conclusions and the evaluation of its independence by the Commission has been carried out in accordance with the established policies. The positive conclusions reached by the accounts auditor regarding the Group's financial statements confirm the quality of the Group's financial reporting and internal control systems mentioned above.

Lastly, the Commission has expressed its agreement with the internal processes established to ensure correct compliance with prevailing legislation and the Group's internal policies, rules and procedures.

The Commission is satisfied with the work carried out by the internal audit services supervising the compliance, effectiveness and efficiency of the internal control systems, and the reliability and quality of the Group's financial reporting.

Given the international nature of the company –due to its listing on the US stock exchange (Nasdaq) and because it carries out a large part of its business in international markets– Abengoa applies the rules and best practices on transparency and good corporate governance. Abengoa's annual report includes two independent verification reports:

- › Audit report of the Group's consolidated accounts, as required by prevailing legislation.
- › Audit report about the compliance of internal control with PCAOB standards, in accordance with the requirements of Section 404 of the Sarbanes-Oxley Act (SOX).

Similarly, in 2015 the Commission supervised the asset sales and the provision of services between Abengoa and its Nasdaq-listed subsidiary, Abengoa Yield, drafting preliminary reports to be approved by Abengoa's board of directors.