

Appendix E

Independent Panel of Expert on Sustainable Development

Concluding Report of the Independent Panel of Experts on Sustainable Development

Introduction

The IPESD ("the Panel") was appointed in September 2014, with one new member, Alvaro Fernandez-Villaverde, who is also a member of Abengoa's International Advisory Council, replacing Charles Donovan, who has given valuable input to the Panel's work over the last three years.

The terms of appointment of the Panel describe its role as follows:

- **Independent opinion** - To provide an external and independent viewpoint on Abengoa's CSR

reporting from the perspective of the Panel member's individual expertise.

- **Challenge performance** - To provide Abengoa with feedback and challenge on its performance

regarding CSR issues.

- **Advise on reporting improvements** - To advise on improvements in the clarity, consistency and structure of the Abengoa CSR report, providing feedback to Abengoa through the question process and through an internal letter of recommendations to management.

- **Advise on materiality** - To evaluate Abengoa's process of determining which issues are most significant for inclusion in the CSR report. Obtain insight into Abengoa's own process of ensuring

that a wide range of stakeholder views has been taken into account.

- **Provide insight** - To provide Abengoa with insight on the latest CSR developments around the

world, identifying leading CSR practices (regarding reporting and wider) that could be of interest to Abengoa.

- **Drive value from processes** - To advise Abengoa on how to achieve the maximum value from

the process of reporting in general, and the process of the Panel's review.

While the review of Abengoa's Corporate Social Responsibility Report ("CSRR") for 2013 remains an important focus, the company is calling on the Panel for greater input this year on its views relating to sustainability strategy and objectives. Accordingly the Panel has raised five strategically important issues for discussion with Abengoa and these are placed within the CSRR 2014 with appropriate comments from the company, rather than as a separate section of the Report. This report from the Panel serves to provide context to the issues raised which cover:

- the materiality assessment process (page 7),
- social and environmental performance (page 86 y 96),
- target setting (page 38),

- the reporting framework for the CSRR (page 7) and
- the compliance function (page 63).

The Panel's work comprised:

- A reading of the CSRR 2013 and comparisons with prior year reporting
- The formulation of five key issues for submission to Abengoa prior to our visit to the company
- On the occasion of a visit to the company's Madrid offices in October 2014, an in-person discussion of sustainability strategies and reporting issues with key officers of the company
- Completion of this formal report and the provision of advice to management on sustainability and reporting issues.

As in previous years the Panel does not review the accuracy of the data included in the CSRR, assurance of this data continues to be provided by the company's external auditors and other assurance agencies.

Observations arising from the review in 2014

The Panel believes that Abengoa continues to improve its CSRRs with information which is relevant to its stakeholders. This progress underlines the company's commitment to a sustainable business model and to a wide variety of sustainable activities. The Panel is particularly pleased to acknowledge that recommendations from its previous reviews have been taken up in the CSRR 2013, for instance in relation to the CSR strategic plan 2020 and in the description of energy reduction efforts. The company has now implemented a significant level of integrated management systems for driving and capturing valuable data relating to environmental performance, employee statistics, supply chain and governance issues. We have been impressed by the company's commitment to technical innovation of great significance for reduced GHG emissions, water usage and waste reduction.

Given this strong performance the Panel believes that further major improvements can be achieved in the following areas:

- The CSR strategy should be informed by a few clearly understood aspirational goals. They should include the commitments to action which in Abengoa's view will make the greatest contribution to sustainability. We would look for specific percentages of performance improvement over stated timeframes in eg GHG emissions reductions, water usage, renewable energy generated for own use, etc. These should tie into the company's big sustainability challenges: climate change, energy efficiency and renewable energy growth.
- The annual analysis of material issues based on internal and external stakeholder input should be seen as modifying the above big issues within a shorter timeframe, but there is likely to be significant continuity over time. The most material issues should then be used as the key reporting themes in the CSRR, explaining how they contribute to the company's sustainable performance. This would allow for a tighter focus to the CSRR and enable much information to be referred to in websites rather than being repeated in the Report itself.
- Abengoa may wish to consider a more formal process of stakeholder dialogue, in addition to the exchange of ideas which is the basis of the Panel's work. Such a formal process should ensure that stakeholders selected are those which are significant for Abengoa's business or are themselves directly impacted by the company's activities. Their input should reflect all of Abengoa's key lines of business as well as its geographic presence.

- It is important in the CSRR to report the impacts achieved resulting from the many excellent activities described. We look forward to observing how Abengoa becomes accountable for the achievement of targets and outcomes.
- The compliance function is new to Abengoa. Good progress has been made in establishing the programme of this department. We encourage a full report on its activities in future CSRRs or on a website, including more precisely the areas subject to review, such as human rights and anti-corruption, and the extent to which all lines of business and geographies are covered.

In conclusion we are grateful to the management of Abengoa for their openness in providing information to the Panel and readiness to hear our views and respond to our recommendations.

Signed by the President of the Panel

December 22, 2014

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Contact

This report is available on the www.abengoa.com and annualreport.abengoa.com websites.

Your opinion really matters to us because it helps us keep doing things better each year. Therefore, should you have any comments regarding Abengoa's CSRR13 or Corporate Social Responsibility policy at Abengoa, we would appreciate your addressing them to:

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You can also let us know your opinion by taking the survey on the CSRR that is available to you in the browsable version (annualreport.abengoa.com) of this report.



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