

The background of the slide features a close-up, low-angle shot of an open book. The pages are dark and densely packed, creating a sense of depth. A bright, warm light source, possibly a lamp, is positioned to the right, casting a soft, golden glow across the scene. This light creates a large, curved, semi-transparent white area on the left side of the image, which serves as a backdrop for the text. The overall mood is professional and scholarly.

## 03. Report on the Activities of the Audit Committee

## 1. Scope

Abengoa's Audit Committee was created by the Board of Directors of Abengoa, S.A. on 2 December 2002, pursuant to article 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 Committees. Abengoa also has a corporate governance system that is fully compliant with applicable regulations and best practices.

The Report on the Activities of the Audit Committee in 2016 was approved at the meeting held by said Committee on 27 February 2017, presented to the Board of Directors on 27 February 2017, and will be made available to the company's shareholders on publication of Abengoa's annual report, no later than the Annual General Shareholders' Meeting.

## 2. Composition of the Audit Committee

The Internal Regulations of the Audit Committee were approved by the Board of Directors on 24 February 2003, and establish:

### 2.1. Composition and appointment

The Audit Committee will permanently comprise at least three directors. At least two of these will be non-executive directors, thereby complying with the requirement of having a majority of non-executive directors provided by the aforementioned Law 44/2002.

Directors will serve on the committee for a maximum term of four years, renewable for maximum periods of the same duration.

In 2016, the Committee adapted its composition to corporate governance requirements applicable to listed companies in the United States.

In accordance with best practices in connection with corporate governance, and with Spanish Securities Commission (CNMV) guidelines, all members of the Audit Committee must be independent.

Likewise, at least one member of the Committee must be considered to be a financial and accounting expert.

The Audit Committee is comprised by the directors mentioned below, all of whom are independent, appointed on the specified dates:

Chairman / director	Mr. José Wahnón Levy	Independent director	22 Nov. 2016
Member	Mr. José Luis del Valle Pérez	Independent director	22 Nov. 2016
Member	Mr. Manuel Castro Aladro	Independent director	22 Nov. 2016
Secretary, non-director	Mr. Daniel Alaminos Echarri	Secretary, non-member	23 Jun. 2014

On 22 November 2016, the Extraordinary General Shareholders' Meeting accepted the resignations tendered by the directors and agreed, at the proposal of the Appointments and Remuneration Committee, and in accordance with the terms of the Restructuring Agreement signed by the company on 24 September 2016, to appoint new members of the Board of Directors, which now comprises six members, all of whom are independent directors.

On 22 November 2016, the Board of Directors appointed the new members of the Audit Committee: Mr. José Wahnón Levy, chairman of the committee, Mr. José Luis del Valle Doblado and Mr. Manuel Castro Aladro.

As a result of the changes in the governing bodies, Abengoa's Audit Committee comprises three independent directors, with proven financial and accounting experience, as evidenced by their professional profiles, which we outline below:

#### Mr. José Wahnón Levy

Graduated in Economics at Barcelona University and in Law at Madrid's Universidad Complutense, and holds a Master's (PDM 89) from Harvard Business School.

He began his career at PricewaterhouseCoopers, where he was appointed a partner in 1987, and headed the financial institutions division between 1975 and 2003 and the audit division from 2003 and until he left the firm in 2007. He has subsequently served as a director for various companies linked to the Deposit Guarantee Scheme.

**Mr. José Luis del Valle Doblado**

Graduated in Mining Engineering at Madrid's Universidad Politécnica and in Nuclear Engineering at Massachusetts Institute of Technology (MIT), and holds an MBA from Harvard.

He amassed approximately 35 years of experience at Banco Central Hispanoamericano, Santander Central Hispano, where he was involved in the merger between the two banks. He has also occupied a number of posts in Iberdrola, where he was CEO of Scottish Power, having been appointed director of strategy and development in 2002. In 2014, he was appointed non-executive chairman of GES and Lar España, and serves as an independent director of Ocaso Seguros.

**Mr. Manuel Castro Aladro**

Graduated in Business Administration at Universidad Pontificia de Comillas (ICADE), and holds an International Executive MBA from the University of Chicago.

He began his career at Arthur Andersen and, in 1992, he entered the banking sector. In 1998, he joined BBVA, where he occupied various posts linked to business development, until 2009, when he was appointed group risk director, a post in which he remained until 2015. Since 2015, he has provided independent consultancy services to banks and investment funds on issues linked to risk management and investment.

**Mr. Daniel Alaminos Echarri**

Graduated in Law, specialising in Business Law, at Universidad San Pablo CEU. A State Attorney since 1996, Daniel Alaminos is Secretary General and Secretary to the Board of Directors of Abengoa.

Daniel has undertaken various posts as director of the Legal Department of Spain's State-Owned Industrial Holding Company (SEPI). Before joining Abengoa in 2014, he was a partner in the Capital Market division of Ramón y Cajal Attorneys. He has also taken part in a number of restructuring processes at savings banks, as well as capital increases, restructuring operations linked to major real estate and industrial groups, and consultancy on a range of matters, most notably financial, technological and industrial.

## 2.2. Chairman and Secretary

The Audit Committee will initially choose its chairman from among those of its members who are non-executive directors.

The Secretary to the Board of Directors will serve as Secretary to the Audit Committee.

## 2.3. Functions

In accordance with the provisions of its Internal Regulations and the regulations to which it is subject, specifically Spain's Law 44/2002 on measures to reform the financial system, the following are duties and competencies of the Audit Committee:

- › Report on the annual and interim (quarterly and half-yearly) financial statements, which must be submitted to regulatory or market supervisory bodies. Report on the functioning of the internal control systems, monitoring control and compliance through internal audit and, where applicable, on the accounting criteria used.
- › Report to the Board of Directors on any changes in the accounting criteria, and on-balance sheet and off-balance sheet risks.
- › Report to the General Shareholders' Meeting on matters posed by shareholders within the scope of its competencies.
- › Propose the appointment of external auditors to the Board of Directors, for approval at the General Shareholders' Meeting.
- › Supervise internal audit services. The Committee will have unfettered access to the internal audit and will report on the selection, appointment, renewal, removal and remuneration of the internal audit director, as well as on the budget of that department.
- › Be apprised of the company's financial reporting and control systems.
- › Liaise with external auditors to receive information on any matters that might jeopardise the latter's independence and on any other matters linked to the accounts auditing process.
- › Invite such directors as it deems appropriate to attend the Committee meetings to report, to the extent agreed by the Audit Committee itself.
- › Prepare an annual report on the Audit Committee's activities, which must be published along with the annual financial statements for the year.

## 3. Activities in 2016

### 3.1. Meetings held

In 2016, the Audit Committee held seven meetings, which were attended by all of its members. The Committee issued the relevant reports for approval by the Board of Directors concerning the financial disclosures to regulatory bodies (Spanish Securities Market Commission - CNMV).

Meeting dates and main agenda items:

#### Madrid, 25 January 2016

- › Approval of the response to the CNMV request.
- › Information on related-party transactions completed/planned for the coming months.

#### Madrid, 28 February 2016

- › Approval of the half-yearly report for 2015 for presentation to the CNMV.
- › Measurement and analysis of the impact of the loss of control over subsidiary Atlántica Yield on the financial statements.

#### Madrid, 30 March 2016

- › Preparation of the annual financial statements of Abengoa S.A and its consolidated group for 2015.
- › Report on the Activities of the Audit Committee in 2015.
- › Summary report on the SOX internal control assessment.
- › Compliance with the 2015 Internal Audit Plan.
- › Presentation of the 2016 Internal Audit Plan.
- › Oversight of the external audit and consultancy fees in 2015.
- › Information on the complaints channelling policy.

#### Madrid, 18 April 2016

- › Presentation by the external auditor (Deloitte) on its Audit Report.

#### Madrid, 12 May 2016

- › Financial information for the first quarter of 2016.
- › Ratification of Deloitte, S.L. as the auditor of the company's individual and consolidated financial statements.
- › Information on related-party transactions completed/planned for the coming months.
- › Monitoring of compliance with the 2016 Audit Plan.

#### Madrid, 25 May 2016

- › Approval of the 2015 Annual Report on Corporate Social Responsibility.

#### Madrid, 3 August 2016

- › Termination of the parent support agreement and the deed signed with Atlántica Yield.

#### Madrid, 29 September 2016

- › Approval of Financial Statements corresponding to first six months of 2016.
- › Information on complaint channeling policy.

#### Madrid, 10 October 2016

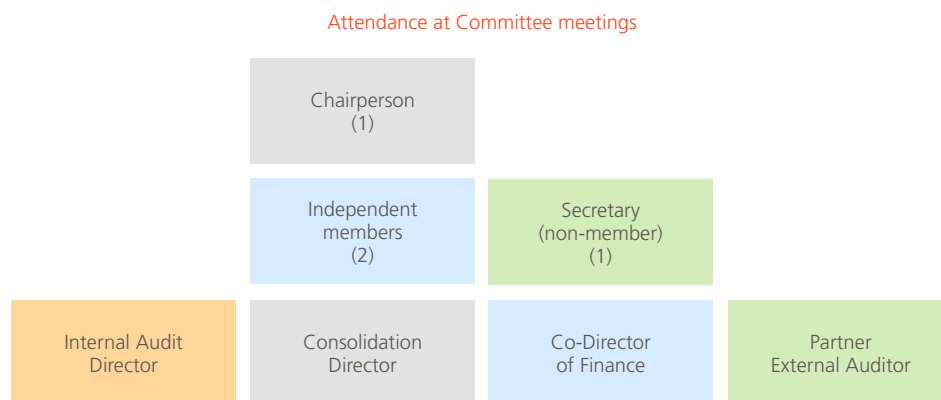
- › Proposal to contribute essential assets to newly incorporated companies fully owned by Abengoa.
- › Proposal to merge the two classes of shares.

#### Madrid, 14 November 2016

- › Approval of Financial Statements corresponding to third quarter 2016.

#### Madrid, 19 December 2016

- › Presentation by the Group's auditor, on the following topics: i) main audit risks identified in 2016, and potential impact on the financial statements at 31 December 2016, ii) focus and scope of the audit work on the annual financial statements, iii) Audit strategy based on a control-focused approach, iv) Proposed preparation of a report on ICFR.
- › Appointment of Rocío Rodríguez Fernández as Internal Audit Director.



### 3.2. The main areas of activity of the Audit Committee

In compliance with its primary function of supporting the Board of Directors, the main issues analysed by the Audit Committee, of which its principle areas of supervision comprise, can be classed into four categories of competencies:

#### 1. External audit and financial reporting

- › Appointment and remuneration of the auditor
- › Scope of work
- › Independence requirement and incompatibilities
- › Material aspects of the audit
- › Review of the external auditor's work
- › Periodic disclosures to the regulator (CNMV)
- › Adaptation of accounting policies and criteria
- › Other requirements

#### 2. Internal Audit

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

#### 3. Risks and internal control

- › Analysis of the main risk areas
- › Efficiency of the internal control systems in place
- › Fraud risk

#### 4. Corporate governance

- › Maintenance and measurement of the effectiveness of control bodies
- › Financial reporting and communication
- › Actions in regard to corporate social responsibility
- › Compliance with ethical rules and issues
- › Conflicts of interest
- › Operations
- › Supervision of the complaints channelling policy

## 4. Tasks and Responsibilities

### 4.1. External audit and financial reporting

The table below outlines the work carried out by the Audit Committee in relation to the external audit and financial reporting:

#### Monitoring of services

- › Review of the services received from the external auditor, audit team, services provided and fees.
- › Study of audit proposals, services/strategies approach, contract terms and fees.
- › Review of the auditor's independence and experience, including relations with the auditor and performance evaluation.

#### Planning of the external audit

- › Understanding of the external audit plan.
- › Understanding of the expectations regarding the auditor: type of service, time lines, information requirements and deliverables.
- › Examination of the experience of the audit teams.
- › Consideration of the main risk areas to be tackled during the audit.

Good governance practices	Financial reporting
<ul style="list-style-type: none"> <li>› Be aware of the difficulties encountered in the audit process, restrictions on access to information.</li> <li>› Be informed regarding any deficiencies in the internal control, as well as fraud or unlawful acts.</li> <li>› Update on issues affecting the independence of the external auditor, including rotation plans for the main auditor.</li> </ul>	<ul style="list-style-type: none"> <li>› Review of the audited financial statements.</li> <li>› Be informed of the key findings of the audit, the significant accounting policies, audit judgements and the quality of the financial reporting.</li> <li>› Discussion with Management of any incidents.</li> <li>› Separate meetings with the external auditor.</li> </ul>

The auditor of the individual and consolidated financial statements in the year is Deloitte, S.L, which is also the Group's main auditor.

In 2012, the Board of Directors and General Shareholders' Meeting approved the appointment of Deloitte as auditor of the individual annual financial statements of Abengoa, S.A. and the consolidated annual financial statements of Abengoa and its subsidiaries for the year ended 31 December 2012 and the following two years. On 29 March 2015, at the General Shareholders' Meeting, Deloitte was renewed as the external auditor of the Company and the consolidated group for the 2015 financial year (1 year), after completion of the initial mandate. This appointment was endorsed on 12 May 2016 by the Audit Committee, governing bodies and the General Shareholders' Meetings of the relevant Group companies.

Other audit firms also contributed to the audit, especially at smaller companies both in Spain and abroad, whose scope within the Group as a whole is not significant.

The duties of the Audit Committee include ensuring the independence of the external auditor, proposing its appointment or renewal to the Board of Directors, and approving its fees.

Audit work in reference to internal control of financial reporting (ICFR) was assigned in accordance with the "integrated audit" criterion, in which the firm issuing the opinion on the financial statements must be the same firm that evaluates the internal control thereof.

It is Abengoa's policy for all the Group's companies to be subject to an annual external audit, even when not so obliged by law.

As a result of the restructuring process, and in particular the filings in the United States (Chapter 11, Chapter 15) and Brazil (Judicial Recovery), the scope of the companies audited in 2016 was reduced both in Spain and abroad.

The global amount and breakdown of fees agreed with external auditors for the 2016 audit, including the review of periodic disclosures, as well as the ICFR audit, are shown in the table below:

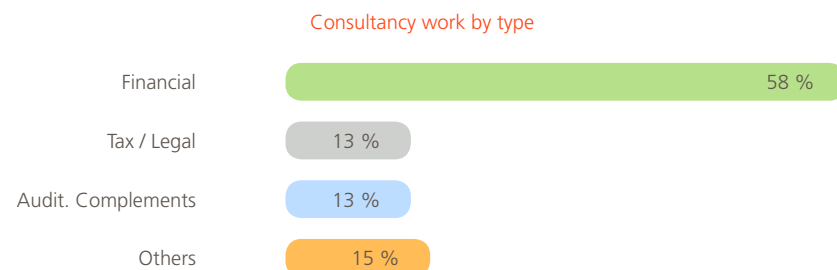
Region	Firm	Fees (€)	Group
Spain	Deloitte	2,793,648	41
	PwC	0	–
	Other firms	39,905	6
Foreign	Deloitte	746,227	78
	PwC	28,971	2
	Other firms	854,113	34
<b>Total</b>		<b>4,462,865</b>	<b>161</b>

When it comes to commissioning work other than financial auditing from any of the "Big Four" audit firms, the company has a preliminary verification process to detect any potential incompatibilities in accordance with the standards of Spain's Accounting and Auditing Institute (ICAC).

The table below shows the amount of fees contracted to the big four audit firms for work other than financial auditing in 2015:

Firm	Fees (€)
Deloitte	2,211,106
PwC	232,312
KPMG	6,712,572
Ernst & Young	147,612
<b>Total</b>	<b>9,303,602</b>

The breakdown of consultancy fees by service area for 2015 is as follows:



The Audit Committee is also in charge of overseeing the results of the work of external auditors. In this connection, it is informed of their findings and of any issues detected in their reviews.

The external auditor regularly attends meetings of the Audit Committee, to report on matters within its sphere of competencies, which are broadly as follows:

- › Review of the financial statements of the consolidated Group and its companies, and issuance of an audit opinion in this regard.
- › Evaluation of the internal control system and issuance of an audit opinion under ICFR standards.
- › Topics of particular interest such as certain specific matters or transactions calling for its opinion.
- › Independent verification reports conducted by external auditors.

In 2016, the external auditors issued two reports, which form an integral part of the Annual Report:

- › The Audit Report on the Group's consolidated financial statements, in accordance with current requirements.
- › The Audit Report on compliance with internal control under ICFR standards.

## 4.2. Internal Audit

The duties of the Audit Committee include "supervision of the internal audit services" and "knowledge of the financial reporting process and the internal control systems and risks relating to the company".

To oversee the sufficiency, suitability and efficient functioning of the internal control and risk management systems, the Committee has been systemically informed in 2016 by the head of internal audit, concerning:

- › The internal audit plan and the degree of compliance therewith: Progress and conclusions from the internal audit work conducted, which basically comprises auditing of the financial statements, internal control audits, audits of the common management systems, reviews of critical projects, reviews of specific areas and others.
- › The degree of implementation of recommendations issued.
- › A description of the main areas reviewed and the key findings, including risks that have been audited and sufficiently mitigated.
- › Other more detailed explanations requested by the Audit Committee.

The Audit Committee has constantly monitored the work by the internal audit department during 2016. The work not envisaged in the plan refers mainly to support provided to the company throughout the restructuring process, and the supervision and general review of projects, so that the general reviews of the companies in 2016 were afforded less specific weighting in the audit plan executed.

Likewise, during the year work continued on updating and improving the design of internal control under the COSO framework, preparing the general frameworks and guidelines on the company's risk management, internal control and fraud detection aimed at improving corporate governance. In addition, fraud prevention and detection work was carried out at the organisations, in order to reduce the impact thereof.

### The internal audit function at Abengoa

Internal audit was created as a global and independent function, accountable to the Audit Committee and the Board of Directors, with the main objective of supervising Abengoa's internal control and most significant risk management systems.

## Structure and team

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

- 1) Internal controls
- 2) Financial audit
- 3) Project audit
- 4) Fraud prevention audit
- 5) Compliance and corporate governance audit
- 6) Systems audit

## Common management systems

The main objectives of the Audit Committee with regard to internal control of financial reporting are:

- › To determine the potential risk of a material inaccuracy in the financial reporting, triggered by fraud or potential fraud risk factors.
- › To analyse the procedures in place to assess the efficacy of internal control in relation to financial reporting.
- › To gauge the efficacy of internal control on the processes affecting Abengoa and its business groups.
- › To identify the material deficiencies and weaknesses in internal control in relation to financial reporting and the capacity to respond.
- › To supervise and coordinate any significant changes to internal controls linked to quarterly financial reporting.
- › To develop quarterly processes for closing the financial statements and identify differences with respect to those implemented at year-end.
- › To establish plans and monitor the actions implemented to address and correct weaknesses found through audits.
- › To implement measures to identify and correct potential weaknesses in internal controls relating to financial reporting.
- › To analyse procedures, activities and controls to ensure the reliability of financial reporting and to prevent fraud.

## Internal control model

Abengoa's internal control structure is based on the latest edition of the integrated internal control framework released by COSO (Committee of Sponsoring Organizations of the Treadway Commission).

According to this framework, organisations must:

- › Devise annual goals aimed at the efficiency and efficacy of operations, the reliability of financial reporting, compliance with the law and safeguarding their resources;
- › Identify and evaluate risks that jeopardise the achievement of these goals;
- › Deploy control activities to minimise the impact of these risks; and
- › Activate supervision systems to assess the quality of this process.

All of the above, on the basis of an efficient control environment nurtured with an effective system reporting and communication.

The new framework broadens the risk outlook to include negative or positive events, threats or opportunities; establishing a tolerance level; and handling these events through risk portfolios.

In February 2010, the CNMV published the document "Internal control of financial reporting at listed companies" (ICFR), which stipulates two additional legal obligations for listed companies from 2011 onwards:

- › The Audit Committee will supervise financial reporting and the efficacy of the company's internal control and risk management systems;
- › Companies must disclose to the market their internal control systems on financial reporting (ICFR) through the Annual Report on Corporate Governance (ARCG).

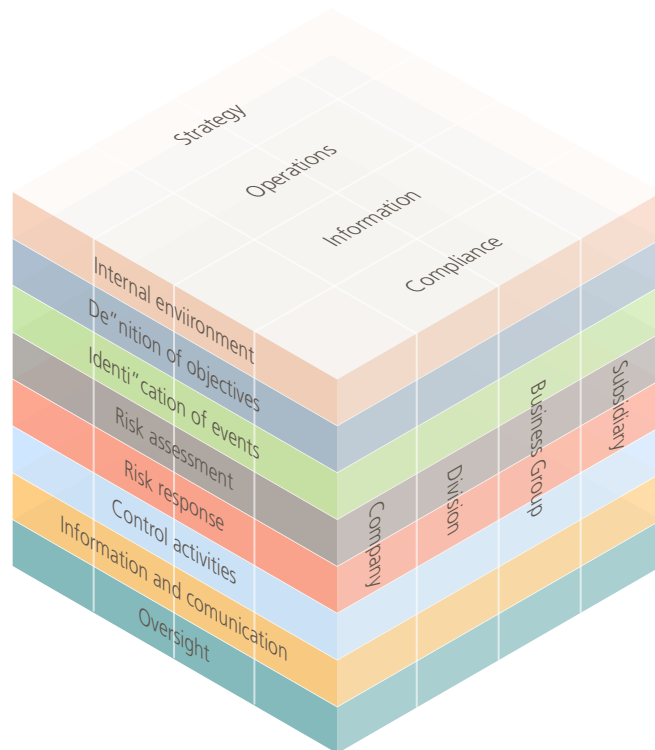
The CNMV document is based on the COSO internal control framework, and includes 87 recommended practices structured into five component areas:

- › Internal control environment
- › Evaluation of financial reporting risks
- › Control activities
- › Reporting and Communication, and
- › Monitoring



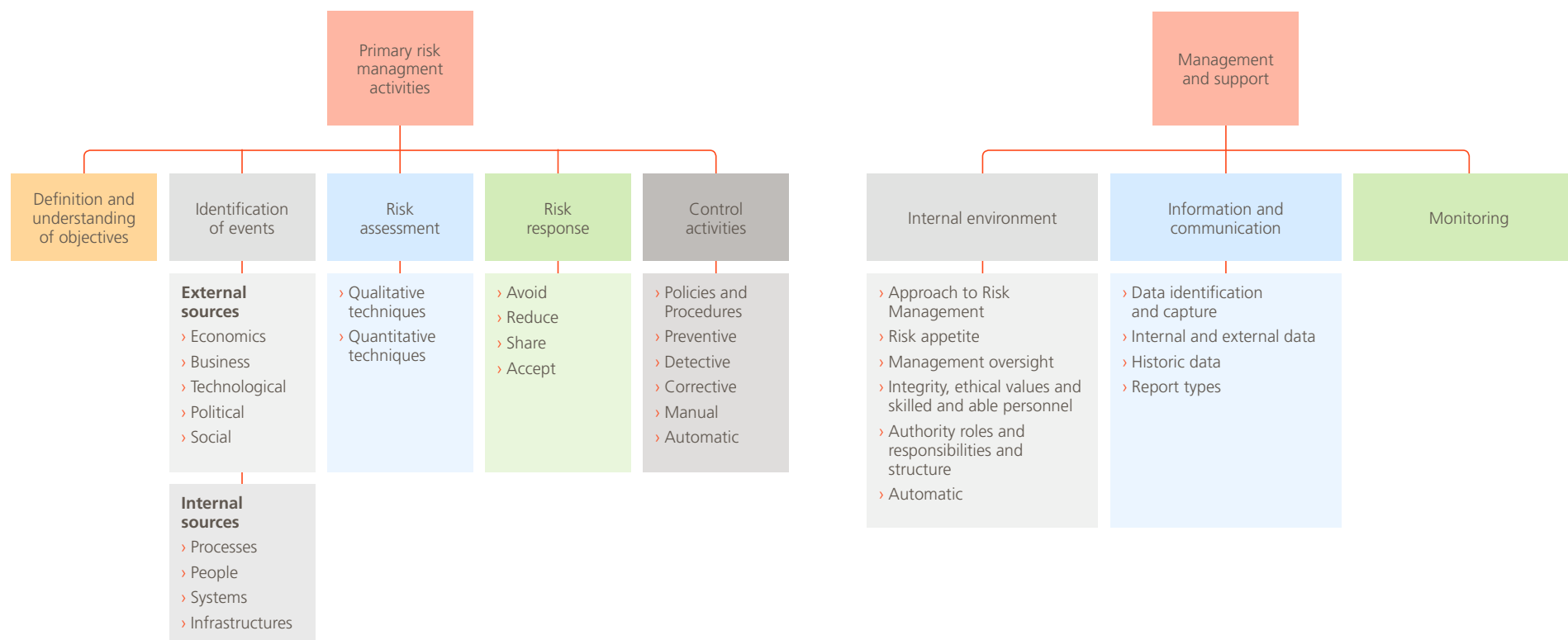
Abengoa voluntarily submits its internal control systems to external evaluation, with the issuance of an audit opinion in accordance with CNMV standards (ICFR).

On a voluntary basis from 2007 and a mandatory basis from 2014 to 2015, Abengoa submitted its internal control systems to external evaluation, with the issuance of an audit opinion in accordance with PCAOB standards and compliance audit standards under section 404 of the Sarbanes-Oxley Act (SOX). As a result, Abengoa has been fully compliant with the benchmark indicators stipulated in the CNMV's ICFR document for six years.



### Risk management at Abengoa

Abengoa is aware of the importance of managing its risk so as to adequately plan its strategy and achieve the defined business goals.



Abengoa's risk management system can be depicted schematically as follows:



The risk management process at Abengoa is a continuous cycle underpinned by five key phases, as shown in the chart:

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

In each phase, coherent and periodic communication is vital to achieve good results. Because this is a continuous cycle, there must be permanent feedback in order to continuously improve the risk management system. These processes are aimed at all the company's risks.

Abengoa manages its risks through the following model, described in the company's risk management manual, which aims to pinpoint a business's potential risks:

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

The criteria for handling and responding to risks set forth in the common risk management systems are mandatory for all employees.

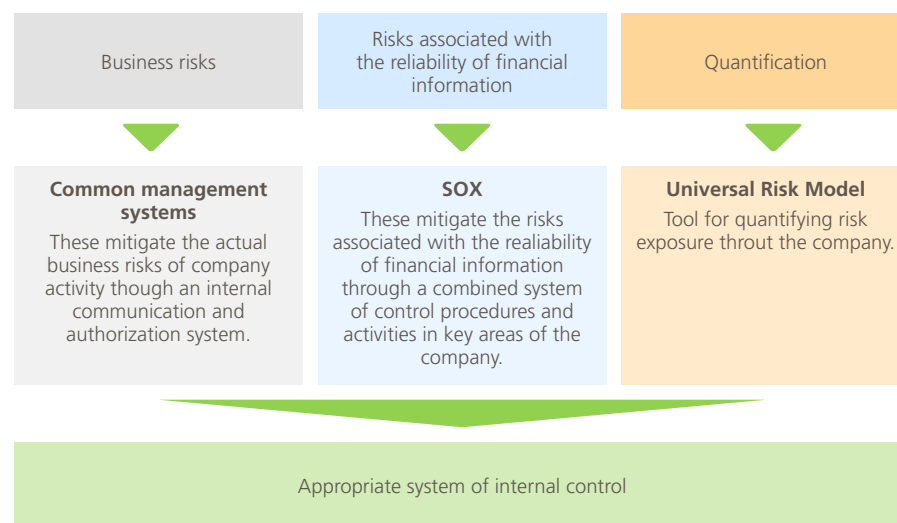
The responses designed and included in the various elements of Abengoa's risk management system are aimed at one of the following risk management scenarios:

- › Elimination: The risk is eliminated entirely.
- › Reduction and control: The aim is to reduce risk as much as possible by using strategic or security measures (supplier diversification, quality systems, maintenance, prevention, etc.).

- › Transfer to third parties: The idea is to transfer risk to a third party, so that Abengoa is no longer liable for that risk, whether through an insurer or another party (supplier, subcontractor).
- › Financial provision: If there is no other way to control the risk, it is assumed.

### 4.3. Risk and Internal Control

Abengoa's risk model comprises three elements.



These elements constitute an integrated system to enable adequate risk management and controls in all echelons of the organisation.

#### a) Common management systems

The common management systems represent the rules of Abengoa and all its business groups and their method for evaluating and controlling risks and represent a common culture for risk management at Abengoa, pooling the knowledge accrued and setting criteria and standards for action.

The common management systems include specific procedures to cover any action that might lead to risk for the organisation, whether financial or otherwise. Moreover, they are available to all employees electronically regardless of their location and post in the company.

The functional heads of each area must verify and certify compliance with these procedures. This annual certification is issued and presented to the Audit Committee in January of the following year.

The common management systems cover the entire organisation over three levels:

- › All business groups and areas of activity;
- › All echelons of responsibility;
- › All kinds of operations.

The common management systems represent a common culture for Abengoa's various businesses and comprise eleven rules that define how to manage each of the potential risks included in Abengoa's risk model. These systems serve to identify risks and appropriate coverages and to define control mechanisms.

In the last few years, common management systems have evolved to adapt to new situations and environments in which Abengoa operates, with a particular focus on strengthening risk identification, establishing coverages and deploying control activities.

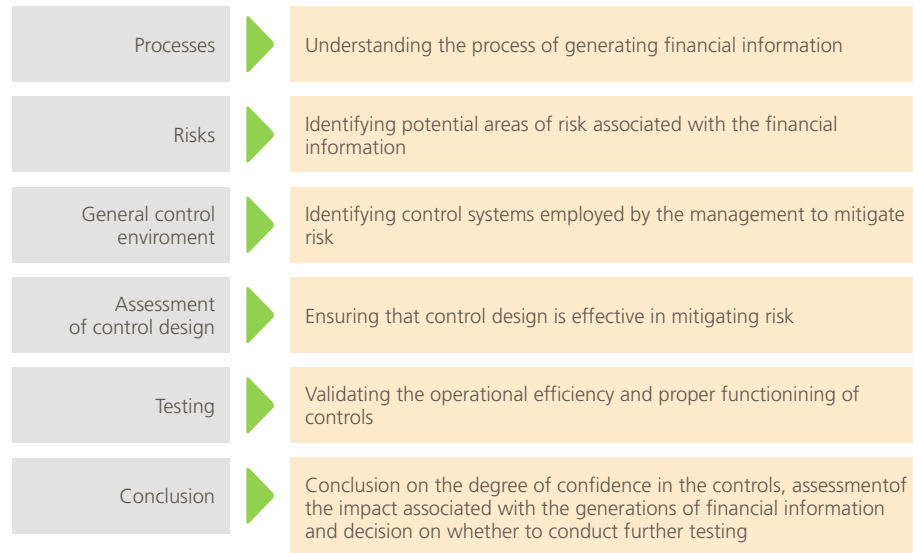
#### b) Mandatory internal control procedures

Mandatory procedures are used to mitigate risks relating to the reliability of financial reporting, through a combined system of control procedures and activities in the company's key areas.

An adequate internal control system is comprised of three tools:

- › A description of the relevant processes at the company that might have a potential impact on the financial information prepared. In this connection, 55 management processes have been defined, grouped into corporate cycles and cycles that are common to the business groups.
- › A series of flow diagrams provide a graphic depiction of the processes.
- › An inventory of the control activities in each process ensures that the control goals are achieved.

Our work comprises the following aspects:



Abengoa sees this legal requirement as an opportunity for improvement and, far from settling for the precepts strictly provided by law, we have sought to develop our internal control structures, control procedures and evaluation procedures as much as possible.

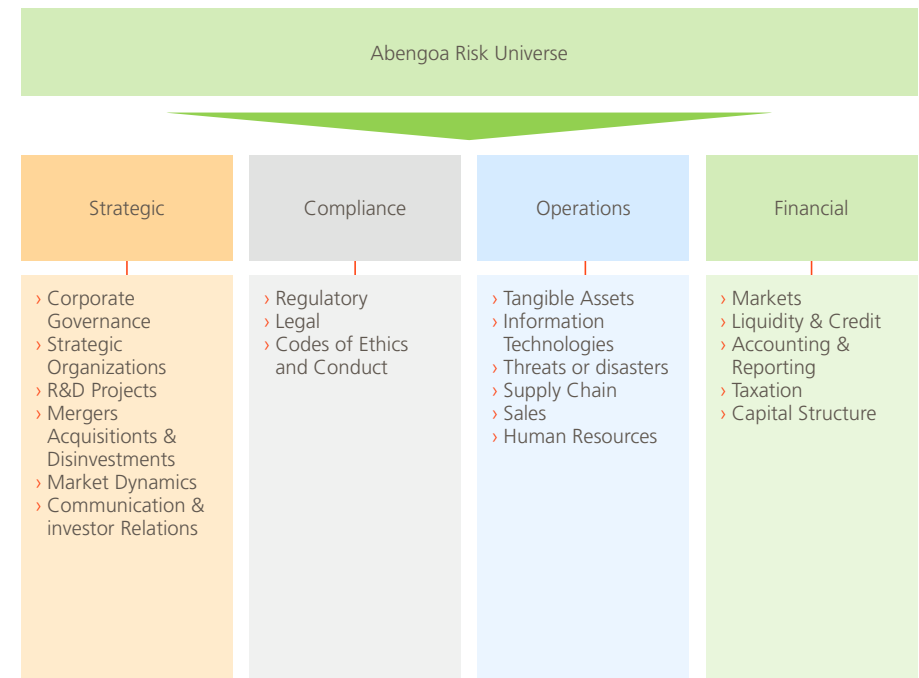
These have focused on compliance with internal control under PCAOB (Public Company Accounting Oversight Board) standards, in accordance with the provisions of section 404 of the Sarbanes-Oxley Act (SOX), mandatory for the company until 2015. Under COSO, Abengoa's internal control structure has been redefined using a top-down approach based on risk analysis.

Said risk analysis includes the initial identification of the significant risk areas and the evaluation of the company's controls thereof, starting with those deployed at the highest level – corporate and supervisory controls – and continuing to the operating controls deployed in each process.

### c) The universal risk model

Abengoa's Universal Risk Model (URM) is the methodology to identify, understand and assess the risks affecting Abengoa. The goal is to obtain an integrated overview of these risks, so as to design an efficient response system aligned with the company's business goals.

It is configured with 56 risks, belonging to 20 categories. In turn, the latter are grouped into four major areas (financial risk, strategic risk, regulatory risk and operating risk).



All the model's risks are assessed based on two criteria:

- › Probability of occurrence: Frequency with which it can be asserted that a specific cause will trigger an event with a negative impact on Abengoa.
- › Impact on the company: Combination of negative effects on Abengoa's strategic goals.

#### 4.4. Corporate governance and regulatory compliance

##### Self-assessment

In application of article 16.4.q) of the Rules and Regulations of the Board of Directors, members of the audit and compliance committee conducted their self-assessment at its meeting of 23 February 2015, where it assessed the committee's functioning and the performance of the duties entrusted to it in Abengoa's bylaws and in the Rules and Regulations of the Board.

As a result, the Committee expressed its conviction that it satisfactorily complies with all of its responsibilities, having held a sufficient number of meetings, with agendas that encompass all the areas it is expected to review, and having been offered extensive presentations on the various topics discussed, all within the framework of an open and entirely unrestricted debate.

The company's management constantly updates the professional code of conduct based on the principles of the honesty, integrity and good judgement of employees, executives and directors, as evidenced in the Annual Report on Corporate Governance, which details the structure of administration, the risk control systems, the degree to which recommendations on corporate governance are implemented, and the reporting and disclosure instruments in place; and which evidences management's commitment to maintaining an adequate system of internal control and risk management, good corporate governance and ethical conduct by the organisation and its employees.

All divisions, most notably the human resources and internal audit departments, monitor compliance of the code, and notify management of any improper conduct observed – in which connection the appropriate measures are then taken.

##### Complaints channel

Abengoa's internal control system has various mechanisms and procedures to mitigate the risk of fraud.

Accordingly, based on the guidelines set forth in section 301 of the Sarbanes-Oxley Act, the Audit Committee agreed to establish certain procedures for:

- › The receipt, safe-keeping and processing of complaints received by the company in relation to the accounting, internal controls or audit materials.
- › The confidential and anonymous submission by company employees of information in good faith regarding doubtful or questionable accounting or auditing practices.

This affords Abengoa a dual mechanism for receiving complaints:

- › An internal whistle-blowing channel, available to all employees for the notification of any alleged irregularity in accounting, auditing or breaches of the code of conduct.
- › An external channel available to any third party to report alleged irregularities or acts of fraud or in breach of Abengoa's code of conduct, through the company's website ([www.abengoa.com](http://www.abengoa.com)).

The policy for channelling complaints ensures the absence of reprisals against persons reporting issues in good faith, who may log their reports confidentially. Furthermore, both the internal whistle-blowing channel and the external complaints channel accept anonymous reports.

This policy applies to any employee of the Group, consultants, suppliers or third parties with a direct relationship and legitimate commercial or professional interest.

Each complaint is investigated by the internal audit team. Within the internal audit department, Abengoa has a specific unit devoted to investigating complaints received through the various channels and implementing measures to prevent fraud. Moreover, in cases in which technical complexity so advises, independent experts are on hand to ensure at all times that there is sufficient capacity to conduct an adequate investigation and guarantee a sufficient degree of objectiveness in performing the work.

##### US Foreign Corrupt Practices Act (FCPA)

The honesty, integrity and good judgement of the employees, executives and directors of Abengoa is fundamental to the company's reputation and success.

In keeping with these principles, Abengoa joined the United Nations Global Compact in 2002, and subscribes to each of the ten principles contained therein, and strives to fully integrate them in the strategy and policies that govern the company's day-to-day business. With regard to principle 10: "Businesses should work against corruption in all its forms, including extortion and bribery", Abengoa deploys various procedures designed to prevent any kind of corruption from taking place at the company.

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

Under the FCPA, it is unlawful for companies and their officers, directors, employees and agents to offer payment, promise to pay, or authorization of the payment of any money, or offer, gift, promise to give, or authorization of the giving of anything of value to any foreign official, foreign political party or official thereof, in order to assist such issuer in obtaining or retaining business for or with, or directing business to, any person. In accordance with the FCPA, indirect payments to foreign officials generate legal liability, as do direct payments. The company or its officials or employees may be held liable for payments made by trade partners, such as sales representatives, advisors, agents, contractors, sub-contractors or others, in those cases in which the company transfers money or a thing of value to a trade partner, while knowing that all or a portion of such money or thing of value will be offered, given, or promised, directly or indirectly, to any foreign official, to make an unlawful payment to a foreign official (this provision applies even to those cases in which the trade partner is not subject to the FCPA). Liability may also exist if the company is aware of events that suggest a "high probability" that the trade partner will deliver all or part of the value received to a foreign official for corrupt purposes. As a result, Abengoa must act with caution in its relationships with trade partners and have some guarantee that the latter will comply with all the applicable anti-corruption laws.

The US Foreign Corrupt Practices Act is supplementary to the requirements of section 404 of the Sarbanes Oxley Act (SOX), and applies to all companies with businesses or economic interests in the United States. It applies to all actions conducted by trade partners on Abengoa's behalf, and all its officials, directors, and full- and part-time employees. This policy also applies to all subsidiaries controlled by Abengoa.

All trade partners representing Abengoa (including advisors, agents, sales representatives, distributors and independent contractors) and interacting with foreign officials on Abengoa's behalf must comply with all the relevant aspects of this policy.

## Conclusions

### Compliance, composition and attendance

In 2016, the Audit Committee adequately discharged the responsibilities assigned to it pursuant to the bylaws and Rules and Regulations of the Board of Directors.

In keeping with best practices in corporate governance and, in particular, with the requirements established under regulations applicable through 6 April 2016 to companies listed in the NASDAQ (Rule 10A-3(b) of the Exchange Act), the Audit Committee has adapted its composition and now comprises solely independent directors as defined by said Rule, following the latest appointments agreed at the Extraordinary General Shareholders' Meeting of 22 November 2016.

All members of the Committee attended the meetings held in 2016.

### Functions and activities

The Committee has been in constant contact with the compliance director, the head of internal audit, the head of reporting, the joint chief financial officer and the head of investor relations, and with the other divisions of Abengoa, as well as the external auditor, and has verified the quality and transparency of the Group's periodic financial reporting and the efficacy of its internal control systems.

The committee's monitoring of the external auditor's work, review of its findings and evaluation of its independence were compliant with the established policies. The external auditor's positive conclusions on the financial statements of the Group ratify the quality of the aforementioned financial reporting and internal control systems.

Finally, the Committee has endorsed the internal processes in place to ensure proper compliance with the applicable legislation and the Group's internal policies, rules and procedures.

The Committee expresses its satisfaction with the work performed by the internal audit services in its mission to supervise the compliance with and efficacy and efficiency of the internal control systems, as well as the reliability and quality of the Group's financial reporting.

As an international company, listed in the US securities market (NASDAQ), and conducting a significant percentage of its activities in international markets, Abengoa uses standards and best practice guidelines on transparency and good corporate governance as a benchmark. Accordingly, Abengoa's Annual Report includes the following independent reports:

- › The Audit Report on the Group's consolidated financial statements, in accordance with current requirements.
- › The Audit Report on compliance with internal control under ICFR standards.