

03. Strategy and sustainable business model

03.4

Transparency and fight against fraud



349

FCPA Analysis



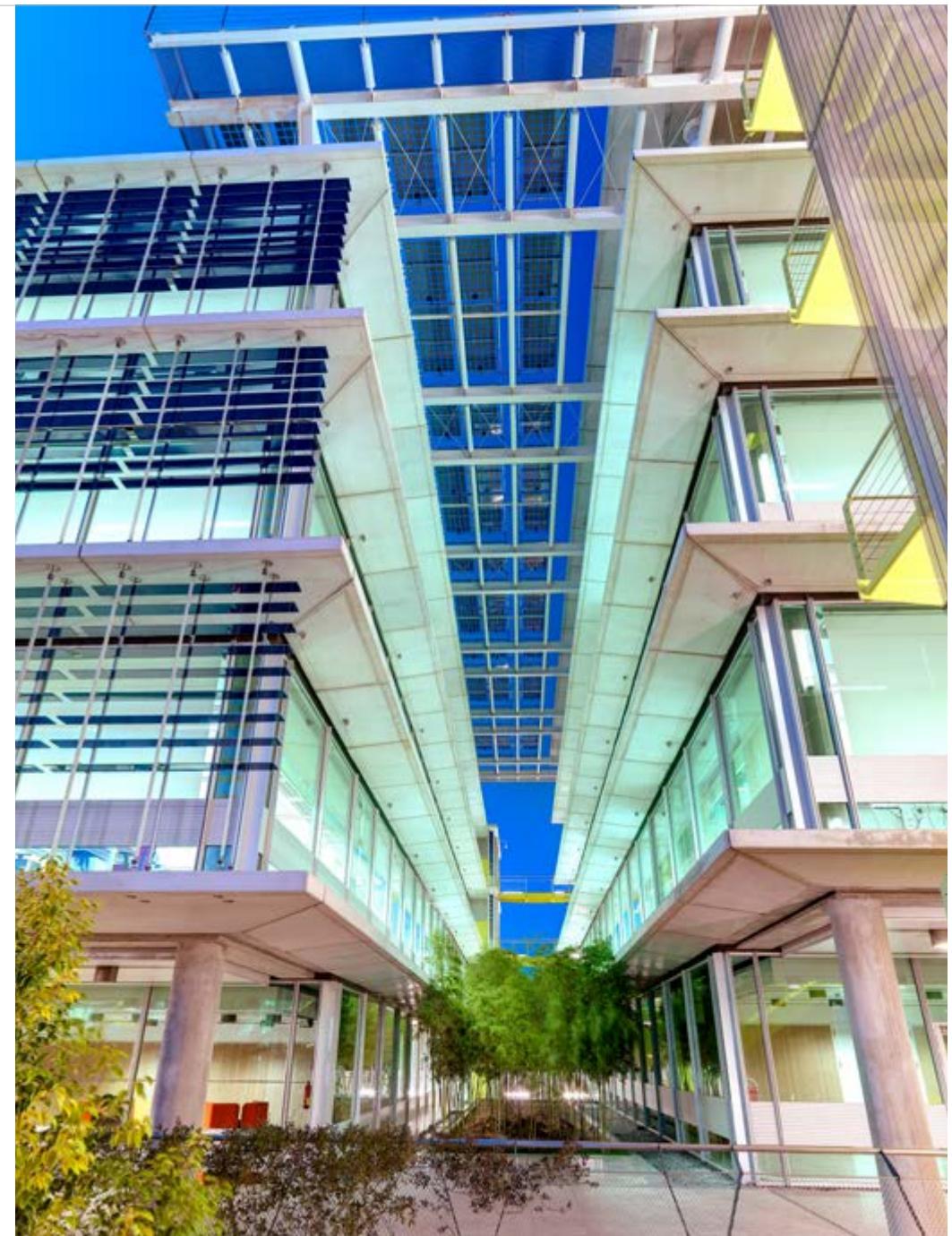
7

communications made to
the complaints channel



3

committee best
practices sessions



03. Strategy and sustainable business model / 03.4. Transparency and fight against fraud

Goals set forth in the SSP 2019-2023



To implement improvements aimed at maximising the efficiency of the fraud prevention system.	100 %
To promote fraud, corruption, ethics and code of conduct-related training through the internal communication channels.	100 %
To promote fiscal transparency and to continue working on two-way communication with stakeholders, with the aim of providing the most relevant information in the fiscal area.	83 %
To establish procedures to ascertain Abengoa's perception among its most critical opinion leaders and stakeholders (dialogue panels).	15 %
To increase presence and activity in social networks.	100 %

During the 2020 financial year, Abengoa continued with its restructuring plan and both the Audit Committee and the Internal Audit Department have collaborated in this mission by exercising their functions always with the ultimate aim of duly informing and explaining to the Board of Directors the decisions to be taken and ensuring accuracy and reliability of the information reported.

Throughout the year, the efficiency of the internal control system has further improved, always maintaining a high level of demand, in accordance with COSO (Committee of Sponsoring Organizations of the Treadway Commission) standards.

In March 2020, when the Royal Decree declaring the COVID-19 State of Alarm was published by the Spanish Government, ordering the home lockdown of the entire population and whose economic consequences led the company to request a Furlough Scheme (ERTE, for its acronym in Spanish) affecting part of the workforce of different companies, an analysis was made of the possible impacts that this situation could have on the Internal Control system and whether it should be modified or reinforced in any of its processes, reaching the following conclusions:

- Taking into account that the company has had a remote access system to all its systems for some time, it was prepared to immediately adapt to teleworking.
- Each company's ERTE was followed up with Human Resources and with the Administration Department in order to maintain an adequate segregation of duties at all times.

Therefore, there was no need to adapt the internal control system, which proved to be sufficiently robust and comprehensive to address COVID-19 without requiring additional controls to be added to those already in place.

Moreover, the Internal Audit Department has collaborated with the Compliance Department to evaluate the Criminal Prevention System pursuant to the UNE 19601 requirements. Therefore, an evaluation of the degree of compliance with the internal controls of the criminal risk analysis matrix has been carried out, and taking into account that the Criminal Prevention System (SPP, for its acronym in Spanish) complies with the criminal prevention requirements included in the Criminal Prevention Policy and with UNE 19601.

The audit, carried out by Aenor as an entity accredited by the National Accreditation Body (ENAC, for its acronym in Spanish) for the UNE 19601:2017 certification supports the correct implementation in Abengoa of its criminal compliance and prevention management system, which is part of the company's common management systems.

Among other actions, Abengoa keeps an updated risk identification and control environment, its processes for early detection of alleged offenses and reporting to the authorities, and has underlined the independence and autonomy of the Compliance Department under the supervision of the Commission and the Board of Directors.



03. Strategy and sustainable business model / 03.4. Transparency and fight against fraud

Anti-Corruption Law

Abengoa is subject to local and international anti-corruption legislation, in particular the U.S. Foreign Corrupt Practices Act (FCPA), which prohibits bribes and kickbacks to foreign government officials, as well as any action aimed to influence any act or decision resulting in an improper advantage not only in the United States, but also worldwide. This law is complementary to the internal control requirements set forth in Section 404 of the Sarbanes-Oxley Act.

Abengoa's common management systems are designed to monitor and ensure compliance with anti-corruption mechanisms by all corporate employees, officers and administrators.

One of the functions of the Internal Audit Department is to develop the annual fraud prevention, detection and regulatory compliance plans. The above mentioned plans cover the compliance risk with Abengoa's internal regulations on corruption.

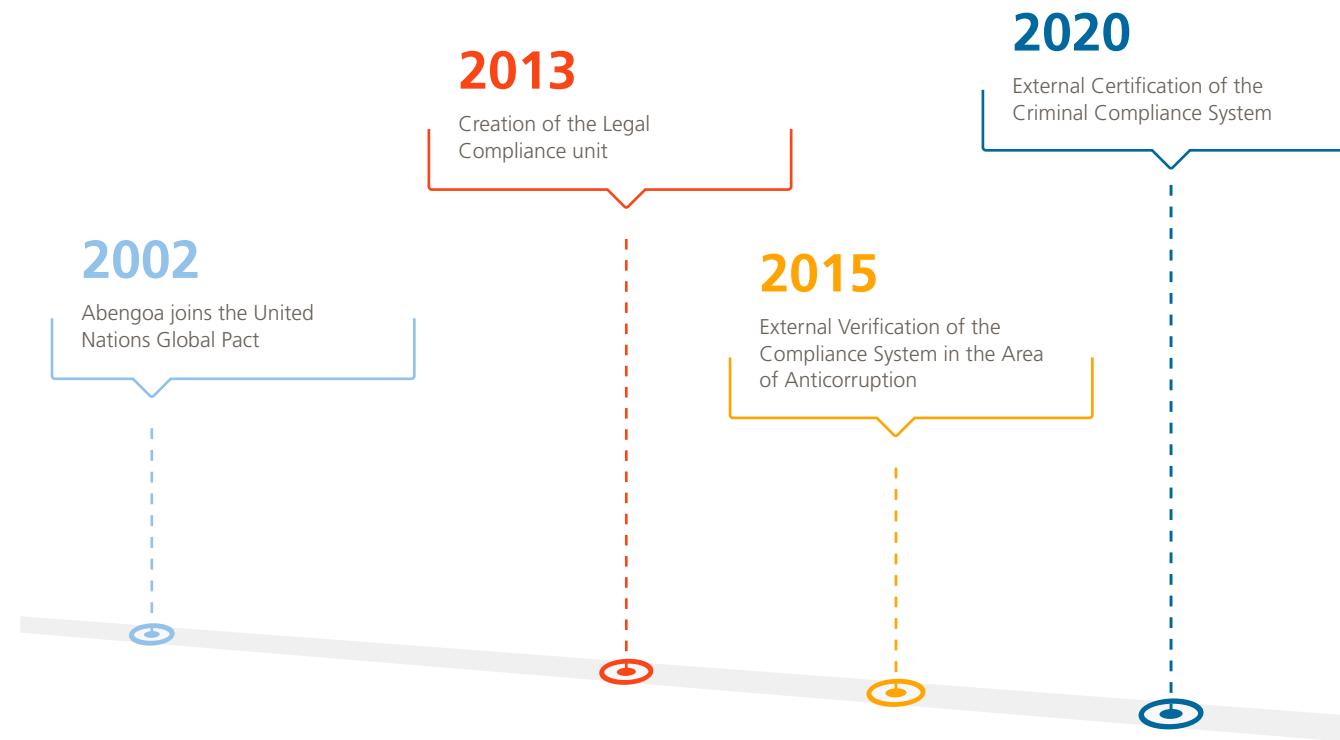
In 2020 Abengoa carried out 349 analyses in order to comply with the FCPA. [205-2](#)

During 2020, contributions were made to professional associations amounting to €125,234 and were made mainly to chambers of commerce or associations related to industry or construction. [102-13](#)

Moreover, throughout the year no contributions were identified by Abengoa to political parties and/or representatives, either financially or in kind, directly or indirectly. [415-1](#)

Anti-corruption compliance system [205-2, 415-1](#)

The fight against corruption is an inherent element of Abengoa's strategy, which has been stepped up over time.



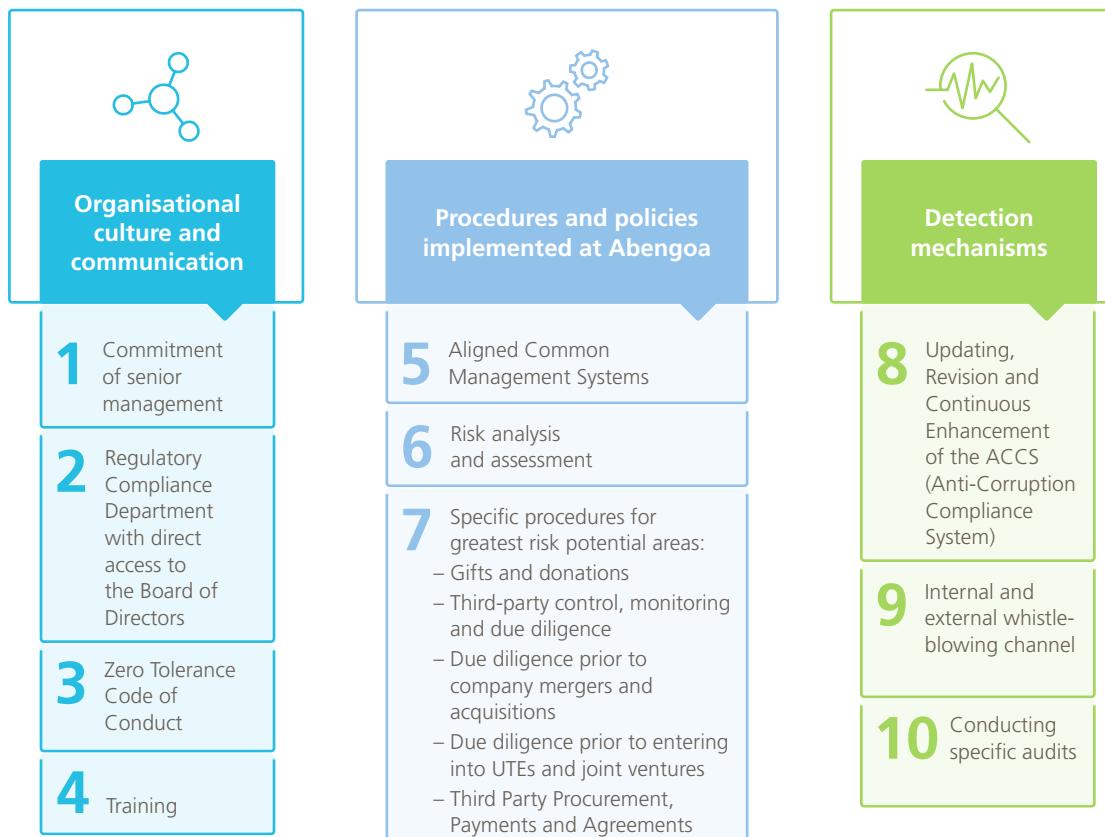
In 2002, Abengoa was one of the first companies to join the UN Global Compact, an agreement by means of which signatory companies undertake to manage their operations according to ten principles based on universal declarations and conventions, which include the fight against corruption in all its forms, including extortion, fraud and bribery.

Effort has been increasing over the years. In 2013, the Regulatory Compliance unit was created within the General Secretariat. In 2014, this unit becomes self-governed, splitting from the General Secretariat and directly reporting to the Board of Directors. In February 2015, Abengoa became the first Spanish company to successfully pass an external audit of its Anti-Corruption Compliance System (SCMA, for its acronym in Spanish) and to publish the above mentioned results which, in the case of Abengoa, were included in the Summarized Report.

03. Strategy and sustainable business model / 03.4. Transparency and fight against fraud

SCMA is an initiative directly promoted by the corporate management and covering the entire workforce, including Abengoa's executives and directors and of all its controlled companies. A compliance system does not guarantee the non-commission of any irregular practices, but rather helps the prevention thereof and significantly increases the probability of identifying and mitigating any irregular practice.

Throughout 2020, the internal control design has continuously been updated and improved under the COSO framework,



preparing the general frameworks and guides on corporate risk management, internal control and fraud detection designed to improve corporate governance.

Additionally, fraud prevention and detection activities have been carried out in the organizations, aimed at reducing their impact. The Annual Audit Plan has a specific section on fraud and specific proof of fraud is included in the project review, internal control or financial audit work.

Criminal Compliance Management System Certification

In 2020 Abengoa was granted the 'UNE 19601: 2017 Criminal Compliance Management Systems' accredited certification from Aenor for its criminal compliance and prevention model in Spain in 2020.

The standard sets forth the requirements to implement a criminal prevention and compliance management system pursuant to the provisions set forth in the Spanish Criminal Code, including the review, supervision and continuous improvement thereof and the evaluation of the model's performance and its manager's performance.

The certification includes the perimeter of the following companies: Abenewco 1 S.A., Abengoa Energía S.A., Abengoa Agua S.A., Instalaciones Inabensa S.A., and Abengoa S.A.

The certification and the audit process certify that the management model to prevent criminal risks complies with the standard's requirements and contributes to generating confidence in a controlled environment.

The prevention system cornerstone is based on the training and constant updating of the corporate employees, administrators and senior management, in their evident willingness to act in accordance with the law and in the zero tolerance criteria regarding illegal practices, included in the code of conduct and open through the complaints channel available to employees and external third parties.

The purpose thereof is to consolidate in Abengoa a culture of compliance and respect for current legislation, with the aim of reducing criminal risk, prevent the commission of crimes within the legal entity and promote employees, management and administrators' training to comply beyond the letter of the standard.

The fact that this certification has been granted allows Abengoa to implement further control in the scope of due diligence procedures, both in internal processes, affecting personnel in particularly exposed positions, and in external processes, reinforcing collaboration with business partners, suppliers and customers, and increasing supervision in relation to financial and non-financial controls of its management system.

03. Strategy and sustainable business model / 03.4. Transparency and fight against fraud

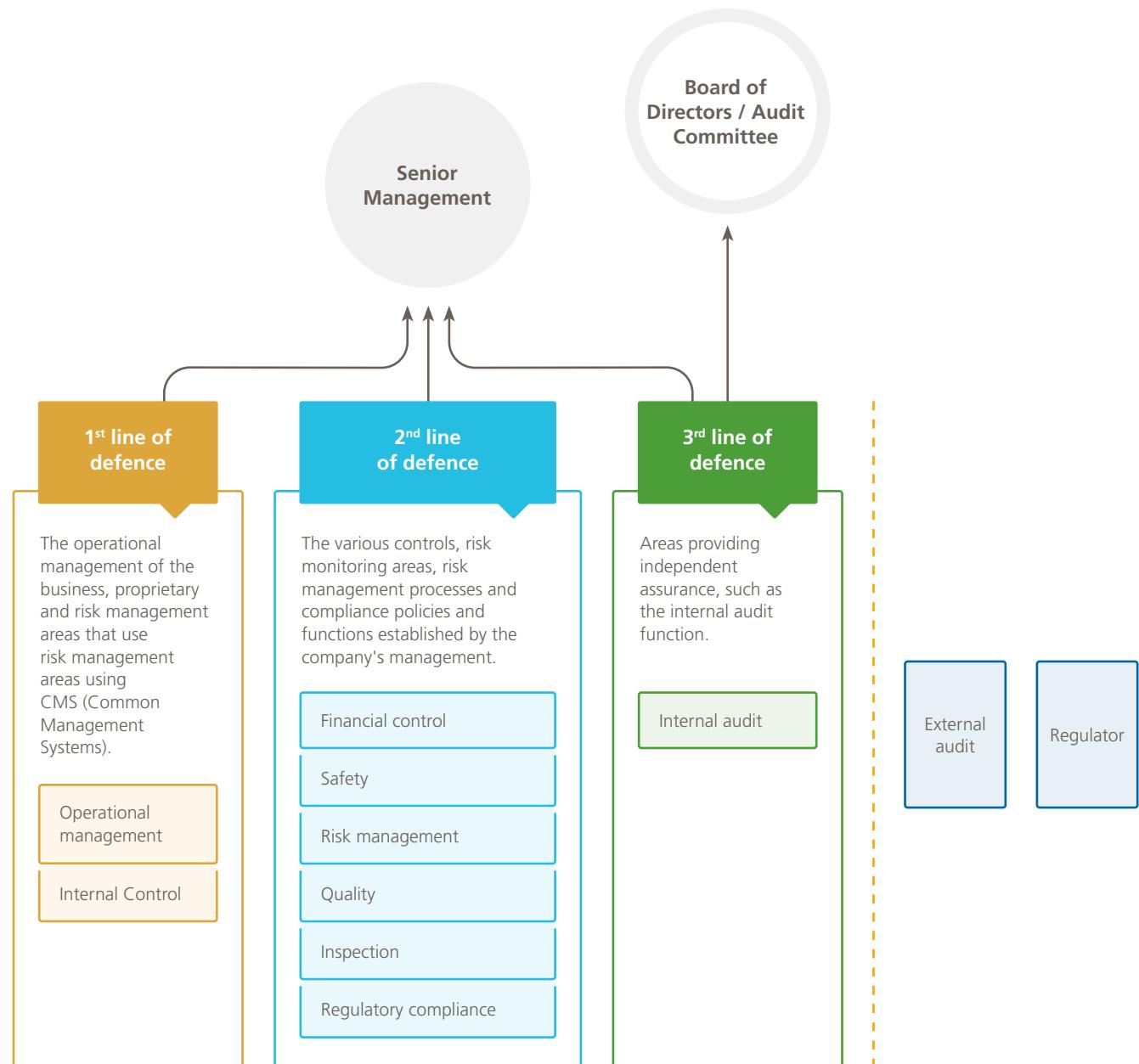
Internal Control System

As a framework for managing, identifying and mitigating risks to prepare financial information, Abengoa implemented its internal control system more than ten years ago. For this purpose, it relied on COSO methodology.

With a top-down, approach, internal control is promoted from the chairmanship, involving all employees from senior management in their responsibility to maintain an adequate internal control.

In order to monitor and to test the internal control performance, the Three Lines of Defence model, created by the European Confederation of Institutes of Internal Auditing (ECIIA), is used.

The Three Lines of Defence model differentiates three groups (or lines) involved in risk management:



03. Strategy and sustainable business model / 03.4. Transparency and fight against fraud

Code of Conduct 102-16, 205-2

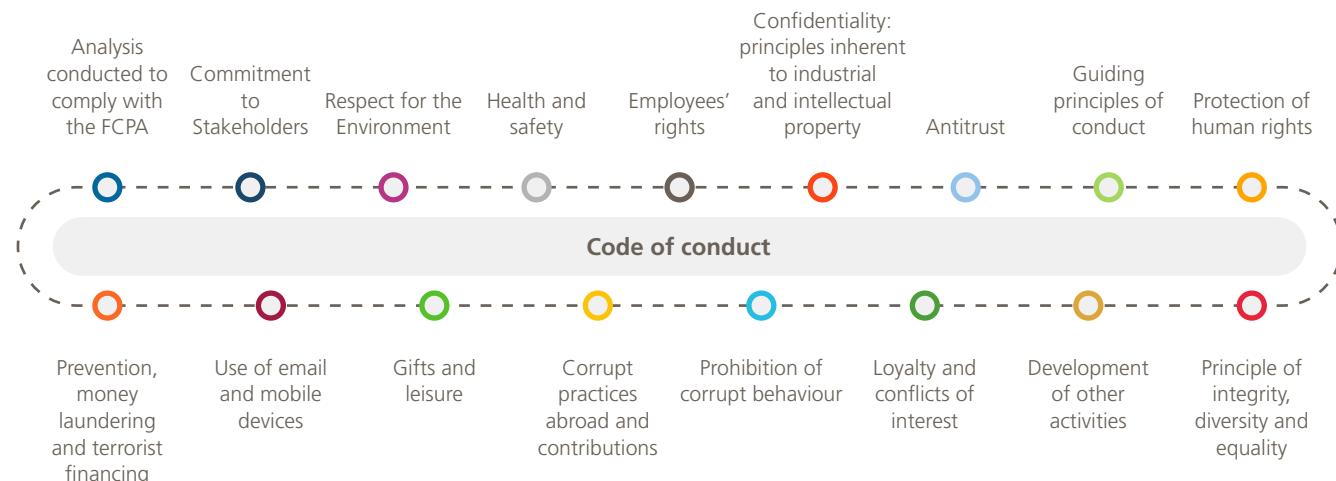
Abengoa has a code of ethics and professional conduct, approved by the Board of Directors and published on the corporate website and intranet, which sets out the ethical and responsible behaviour to be carried out in the development of business activities and business management, both by the management team and all professionals of Abengoa and its subsidiaries. The code of conduct includes guidelines and measures to prevent incidents related to the violation of human rights or of any other corporate value, as well as the requirement to comply with the highest standards of honesty and ethical conduct, including procedures to deal with professional and personal conflicts of interest.

Consolidating these values and principles of action is crucial to overcome the financial restructuring in which the company has been involved, in addition to completing several of the required complex related processes.

Abengoa's Code of Conduct:

- It requires the highest standards of honesty and ethical conduct.
- It sets requirements regarding communications to be submitted by the company to the Administration bodies or other communications to be submitted abroad..
- It requires compliance with applicable laws, standards and regulations.
- It addresses real or possible conflicts of interest and provides guidelines for employees, executives and directors to report such conflicts to Abengoa
- It requires the highest possible level of confidentiality and fair treatment inside and outside Abengoa.
- It requires immediate internal reporting of non-compliance, as well as proper reporting of any illegal conduct.

Some of the values and principles of corporate culture included in the code of conduct are as follows:



Proper compliance with the code monitoring is a source of profitability and security source to carry out Abengoa's activities, since all standards ensure the trustworthiness and reliability of financial information.

Knowledge of the code of conduct by employees and other stakeholders linked to the company is essential for the practical application of its principles. In this regard, the document is available to the employees on Abengoa's intranet, as well as

on the company's website (www.abengoa.com) to facilitate its dissemination to the value chain and its stakeholders.

Likewise, taking into account that it is the responsibility of all employees to duly know and apply on a daily basis the standards of behaviour set forth by the code of conduct, it is annually emailed to all employees, and acknowledgement of receipt is crucial as a sign of receipt and understanding of the code.

03. Strategy and sustainable business model / 03.4. Transparency and fight against fraud

Evolution in the commitment to transparency

Abengoa continues to move forward in its internal transformation process to continue aligning its strategy, optimizing the organizational structure, re-evaluating internal policies and compliance programs and ultimately transforming the organization's culture by ensuring a continuous and accurate information flow with stakeholders, while ensuring compliance with the law and respect for business ethics.

The organisation's commitment to transparency requires a joint and collective effort at Abengoa, essential to generate relevant and truthful information.

Therefore, Abengoa has implemented general policies (Entity Level Control) directly approved and managed by the Board of Directors stating the first level of defence (code of conduct, business rules, etc.); followed by specific procedures (POC) regarding each process and activity affecting the corporate financial information. And finally, it operates a third level of defence against risks consisting of an independent Internal Audit Department.

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

Complaints channel 103-2

Abengoa operates two complaints channels as a fundamental tool of the corporate commitment to fight against corruption and against all those practices violating the willingly adopted laws or standards.

Undoubtedly, the channels have been consolidated as a widely useful tool to establish a reliable and secure dialogue between stakeholders and Abengoa management, addressing any possible irregularity, non-compliance or behaviour contrary to ethics, lawfulness and the rules governing the company.

Through the channels, all corporate stakeholders can confidentially and anonymously report all irregular behaviours detected while they carry out their professional activities.

Both channels have been operating since 2007 and have been established under the specific requirements of the Sarbanes - Oxley Act:

- Internal: available to all employees, who can report any type of complaint, grievance or claim.
- External: intended to enable third parties to report irregularities, fraudulent acts or behaviours contrary to Abengoa's Code of Conduct.

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

In accordance with the channelling complaints policy, which defines the parameters and criteria to treat all the information received, full confidentiality is specifically guaranteed when accessing the tool, allowing the anonymous submission of information and the absence of reprisals for all bona fide complaints. The policy establishes that the response protocol shall start within a period of 48 hours after the complaint is received.

Likewise, apart from the complaints channels, any infringement can be reported directly to the Compliance Manager and/or Internal Audit Manager, as well as to supervisors, directors and duly authorized personnel.

Complaint Management

Once a complaint is received through the enabled channels, it is managed as follows:



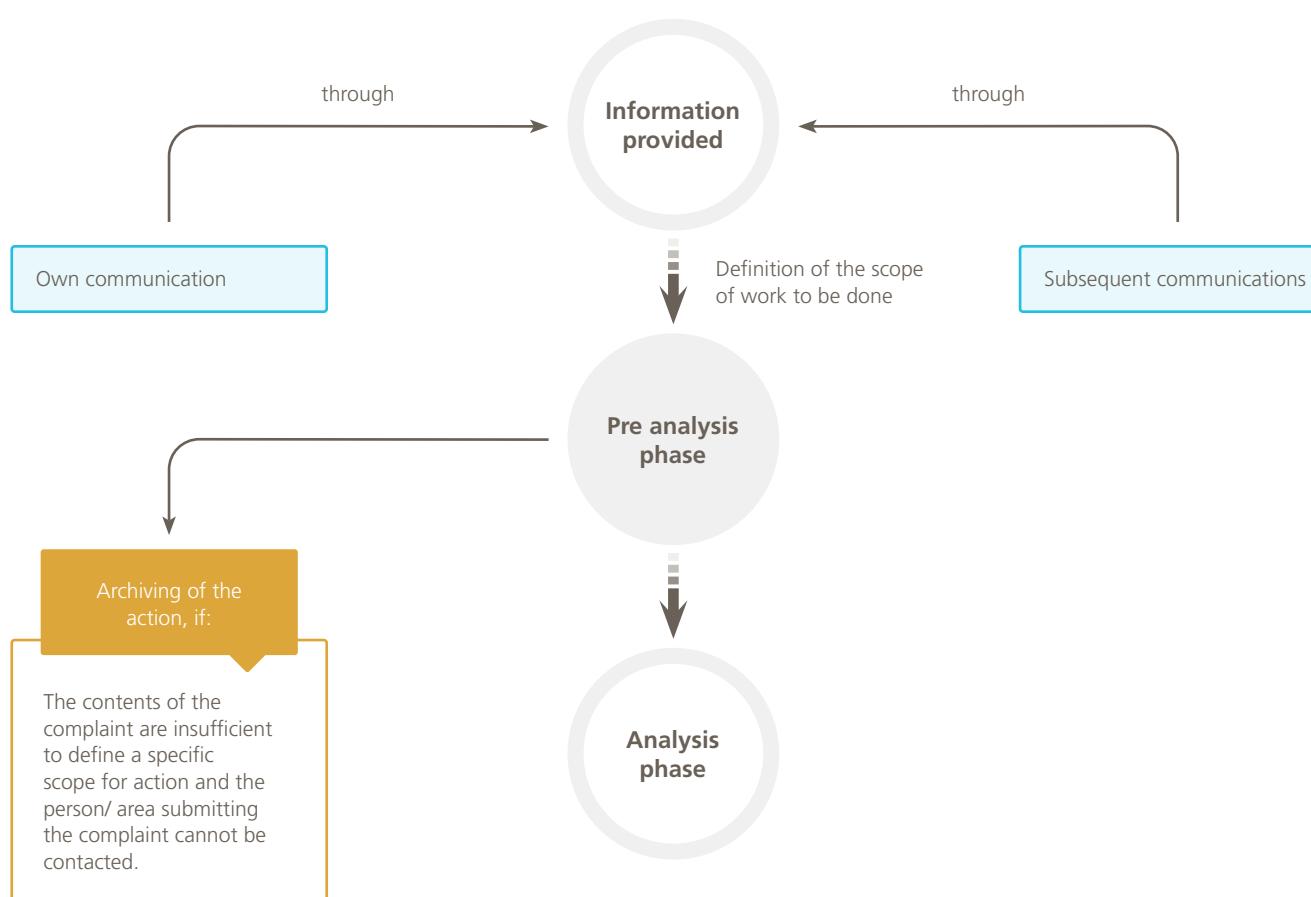
03. Strategy and sustainable business model / 03.4. Transparency and fight against fraud

Flow of action based on the complaint received:

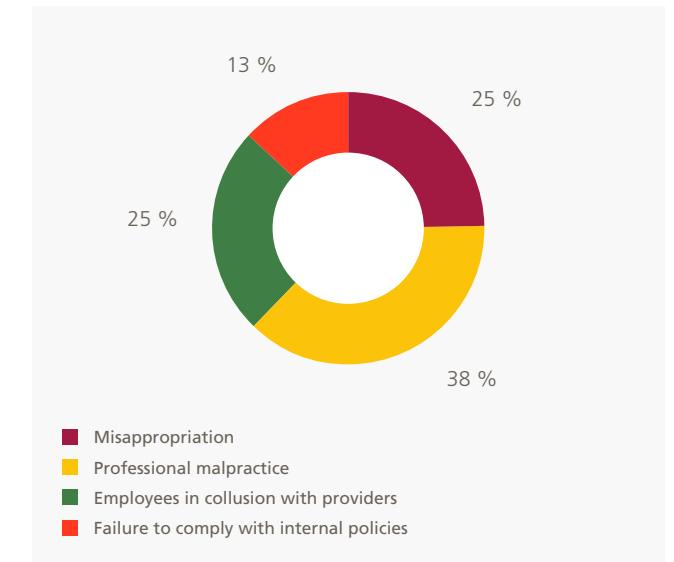
- When the report is received, it is assessed to confirm whether it falls within the scope of the complaints channel or not
- Once it is confirmed that the report falls within the scope of the channel, the procedure starts and a preliminary analysis is conducted. In case of a nominative report, the complainant is contacted in order to better understand the message and to be able to define more specifically and detailed the scope of the analysis procedures to be carried out.

- Based on the information provided both in the report and in subsequent communications with the complainant, the scope of work to be carried out is defined and the pre-analysis and analysis phases are carried out. The company has a maximum period of 48 hours to reply to the complainant.

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



In 2020, seven reports were received, and the relevant proceedings were initiated in all cases. The following graph shows the classification of reported events:

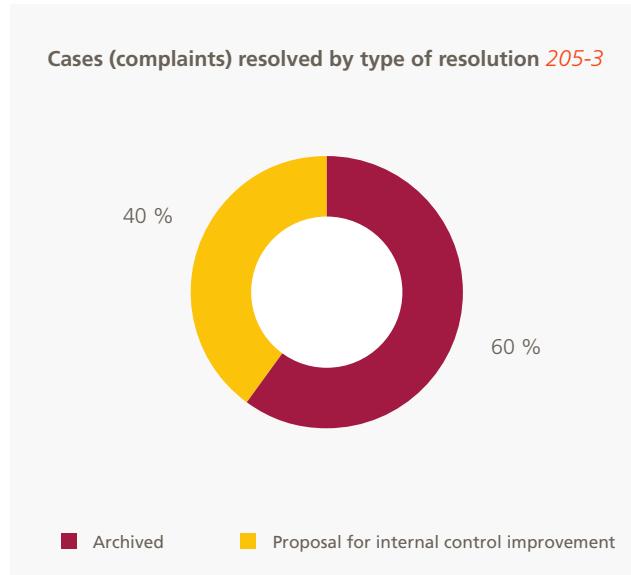


The geographical distribution of the complaints received in 2020 is as follows: [102-17](#)

Percentage (%)	2020	2019	2018
Latin America	14	22	56
Africa	43	11	11
Europe	14	33	22
North America	-	-	-
Asia and the Middle East	29	33	11

03. Strategy and sustainable business model / 03.4. Transparency and fight against fraud

Of the total actions subject matter of the channel, 60 % were filed. A filed complaint refers to all complaints received and analysed which concludes that no specific measures or improvements have been proposed or implemented.



Good Practices Committee

In 2020, the organization continued to promote the Good Practices Committee, created in 2017 at the request of the Audit Committee of the Board of Directors. In total, this committee held three meetings in 2020.

The above mentioned committee assesses the violations of Abengoa's code of conduct and/or potential cases of internal fraud (understood as a breach by a manager of mandatory policies and processes), in which such breaches have been a crucial process to commit or attempt to commit a crime or administrative offence, within the scope of their functions.

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



The Good Practices Committee is responsible to activate the contingency plan in case of any indication of human rights-related non-compliance received through any of the channels and procedures established by the company. The contingency plan phases are as follows:

- 01 Appointment of the instructor
- 02 Interviews and documentary analysis
- 03 Report drafting
- 04 Completion of the specific mandatory form
- 05 Closing of the file
- 06 Result of the instruction and actions
- 07 Follow-up

03. Strategy and sustainable business model / 03.4. Transparency and fight against fraud

Areas for improvement and future challenges

The mechanisms guaranteeing adequate transparency, as well as the fight against corruption, always require continuous adaptation and improvement. In the case of Abengoa, greater efforts should be made to adapt to the new functional and corporate organization being built after the second financial restructuring.

Therefore, Abengoa is working on adaptation and rationalization programs of certain internal control systems, especially the system related to the Common Management Standards (NOC, for its acronym in Spanish) and the corresponding forms thereof, setting forth the requirements and internal approval circuits of the most relevant business decisions or those impacting the balance sheet, the income statement, or the reputational ones, as well as the POC processes of the Internal Control System regarding financial information.

During 2021, once restructuring was completed and with a more stable organizational structure, it is likewise expected to start reviewing the corporate governance elements, adapting those thus requiring it to the new resulting structure.

Similarly, in plans are in place to expedite a project to optimize and centralize the organizational structure management in ERP management (SAP). This process will help to optimise user profile management, work-flows control in the system and automation of the internal control model, in order to improve monitoring Abengoa's financial information.

Taxation



€ 130.6 M

tax contribution 2020



€ 577.6 M

tax contribution
2017-2020



26 %

taxes paid in Spain



10.5 %

of revenue
for payment
of taxes

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

In this way, Abengoa pays its taxes applying its principles of responsibility and efficiency, in order to avoid significant risks and potential future conflicts. [207-1](#)

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

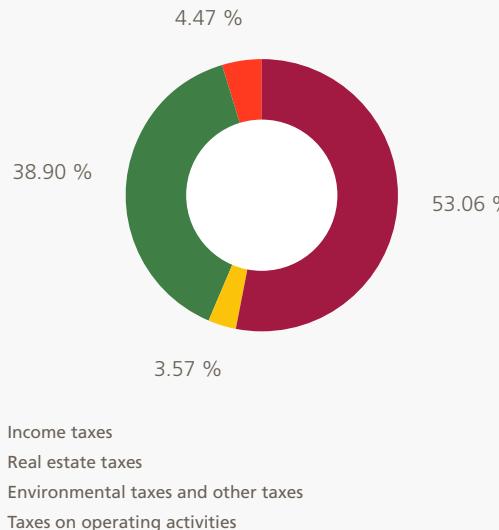


03. Strategy and sustainable business model / 03.4. Transparency and fight against fraud

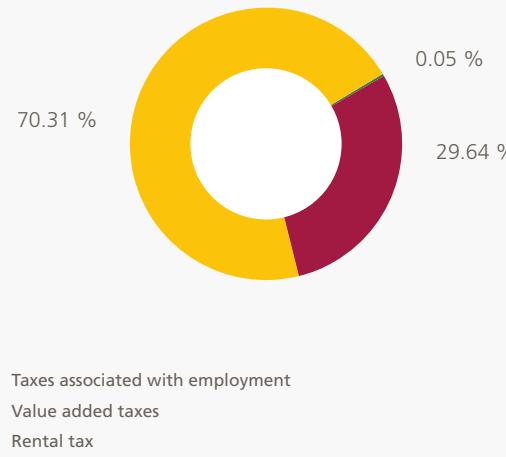
to any tax amount paid that represents a cost to the company and therefore has an impact on the income statement. On the other hand, the taxes collected are generated by the company's own activity, which is responsible for paying them to each Tax Authority, but do not involve a cost (e.g. value added tax).

Abengoa's total tax contribution in the fiscal year 2020 amounted to €130.6 M, representing 10.44 % of business volume. This means that for every €100 of volume of business, Abengoa pays €10.44 in tax.

Input taxes (29,275.3 mls €)



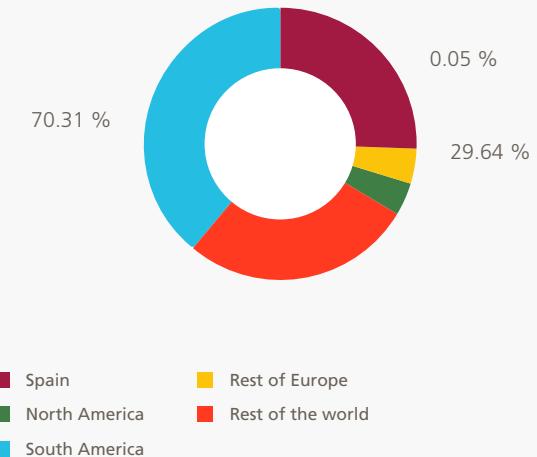
Taxes collected (101,301.3 mls €)



A detail of these magnitudes should highlight that income tax represents 53 % of the total input taxes, while value added tax (or similar tax) represents 70 % of the total taxes collected.

By geographical area, in 2020, Spain and South America are the two areas in which 64 % of the total taxes paid by Abengoa are brought together; Brazil represents 36 % of the taxes paid in South America. [207-4](#)

Taxes paid, by region (%)



Abengoa's tax strategy, approved by our Board of Directors, is based on a series of basic principles of tax procedures: [207-1](#)

03. Strategy and sustainable business model / 03.4. Transparency and fight against fraud**Principles of honesty, integrity and good judgment**

Abengoa requires all its employees to apply these principles when making tax-related decisions, while complying with applicable legal and regulatory requirements and interpreting the rules that apply to each transaction or business in a reasonable manner.

Commitment to transparency and integrity

As a basis for the company's actions associated with tax-related matters and in the relationship promoted by Abengoa with the Tax Administrations in the different jurisdictions in which it operates. In this regard, Abengoa has adhered to the Code of Good Tax Practices with the Spanish Tax Administration since 2010.

Avoiding the use of opaque structures

Created for tax-related purposes, understood as those designed to prevent the Tax Administration from gathering information about the supervisor for the activities or ultimate holder of the corresponding goods or rights.

Transfer pricing policy

With regard to transactions with related entities, which comply with the legally established 'arm's length' principle.

Responsible fiscal policies

Allowing the company to prevent conduct which could generate significant fiscal risks. Abengoa's internal control system, based on the COSO methodology, includes a specific section on taxation with associated controls, which is subject to review by the external auditor, as are the remaining areas.

As regards the prevention of financial risks, fraudulent actions and money laundering, Abengoa makes explicit reference in its policy that investments made in tax havens are solely based on purely justified economic and business reasons not associated with other motivations at all, such as to receive tax benefits or be qualified as tax-exempt. [207-2](#)

Moreover, the organization carries out activities in other geographies that, although not included in the tax havens list of the AEAT, are included in other observatories and international organizations, according to which they are considered to be territories with a more favourable tax regime than Spain or which are considered to be non-cooperative jurisdictions in tax matters. In this sense, it operates subsidiaries or permanent establishments in Delaware (USA), Holland, Luxembourg, Uruguay, Panama and Switzerland. All of them are strictly based on strictly economic or business rationale, or simplification of commercial and administrative processes, and under no circumstances are motivated by tax evasion, money-laundering or the financing of illegal activities. [201-4, 207-3](#)