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Annual Report 2011

**ABENGOA**

Corporate Governance 2011

Innovative technology solutions  
for sustainability



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Independent Verification Report on the Annual  
Corporate Governance Report

Annual Report 2011

**01**

Independent  
Verification  
Report  
on the Annual  
Corporate  
Governance  
Report



**Free translation of the report originally issued in Spanish.  
In the event of a discrepancy, the Spanish language version prevails**

**INDEPENDENT VERIFICATION REPORT  
ON THE ANNUAL CORPORATE GOVERNANCE REPORT FOR 2011**

To the Board of Directors of Abengoa, S.A.:

1. We have verified that the content of the Annual Corporate Governance Report for 2011 of Abengoa, S.A. conforms to the recommendations contained in the Report of the Special Working Group on corporate governance in listed companies (Unified Code on Corporate Governance), dated 19 May 2006, the minimum content of the Annual Corporate Governance Report stipulated in Circular 4/2007 (27 December) of the Spanish Stock Exchange Commission and with the fifth final provision of the Law 2/2011, 4 March, on Sustainable Economy which adds chapter VI in section IV of the Law 24/1988, 28 July of the Spanish Stock Exchange.
2. The preparation of the Annual Corporate Governance Report and its content are the responsibility of the Board of Directors of Abengoa, S.A., that is also responsible for the design, implementation and maintenance of the procedures through which information is obtained. Our responsibility is to issue an independent report based on the procedures applied as part of our verification work.
3. We have carried out our work in accordance with Standard ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC), with respect to reasonable assurance engagements and which requires performing procedures and obtaining sufficient evidence to support the information reported in order to reduce the risk of omission or error in that information to a reasonable level. Our work has generally consisted of:
  - Analysis and evaluation of legal documentation, minutes of the General Shareholders' Meeting, Board of Directors' meetings and its various Committee or Commission meetings; of the Annual Accounts and internal and external communications concerning the appropriateness of the information included in the Annual Corporate Governance Report.
  - Interviews and meetings with the personnel of Abengoa, S.A., members of the Board of Directors and other bodies responsible for governance in the company covered by this Report in order to analyse the information included in the Annual Corporate Governance Report.
  - Evaluation of internal control and key procedures used to collect and validate the data and information set out in the Annual Corporate Governance Report.
  - Analysis and adaptation of the content of the Annual Corporate Governance Report to the recommendations of the Unified Code of Corporate Governance and Circular 4/2007 (27 December) of the Spanish Stock Exchange Commission and the article 61 bis of chapter VI, title IV, of the Spanish Stock Exchange Law.

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R. M. Madrid, hoja 87.260-1, tomo 15, tomo 9.267 libro R.054, sección 3ª. Inscrito en el R.O.A.C. con el número S0247 - CIF: B-79 031290

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Independent  
Verification  
Report  
on the Annual  
Corporate  
Governance  
Report



- Verification through selective tests of the information included in the Annual Corporate Governance Report and its adequate compilation, reasonableness and consistency with the data provided by the Management of Abengoa, S.A.
- 4. For those recommendations of the Unified Code that have not been implemented by the company, the Directors of Abengoa, S.A. offer the explanations that they consider appropriate (see Headings F and G of the attached report). In this respect, we have verified that the assertions contained in the Report do not contradict the evidence obtained from the application of the procedures described in paragraph 3.
- 5. We have carried out our work in accordance with the rules on independence as required by the Code of Ethics of the International Federation of Accountants (IFAC).
- 6. Based on the results of our work, in our opinion, the attached Annual Corporate Governance Report for 2011 of Abengoa, S.A. has been prepared in a reliable and adequate manner, in all significant respects, in accordance with Circular 4/2007 (27 December) of the Spanish Stock Exchange Commission, the recommendations of the Unified Code of Corporate Governance and the article 61 bis of chapter VI, title IV, of the Spanish Stock Exchange Law.

PricewaterhouseCoopers Auditores, S.L.

Juan Manuel Díaz  
Partner

23 de February de 2012

02

Independent Review Report on the Design Effective  
Application of the Risk Management System

Annual Report 2011

**02**

**Independent Review  
Report on the  
Design Effective  
Application of the Risk  
Management System**



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Plaza Pablo Ruiz Picasso, 1  
28020 Madrid  
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**INDEPENDENT REVIEW OF THE DESIGN AND EFFECTIVE APPLICATION OF THE RISK MANAGEMENT SYSTEM**

To the Board of Directors of Abengoa, S.A.:

**Scope**

We have verified with reasonable assurance the design and effective application of the risk management system of Abengoa, S.A. and subsidiaries (hereinafter "Abengoa"), in terms of the criteria established in ISO-31000 - "*Risk Management Principles and Guidelines*," to evaluate whether it was in keeping with the standard during 2011.

The General Management Systems (hereinafter "NOC") set out the procedures and specifications for applying Abengoa's risk management system. The NOC affect all the Company's business segments in addition to all the companies owned by Abengoa. The preparation, updating, implementation, and maintenance of the NOC, as well as the identification and assessment of the risks that affect Abengoa is the responsibility of the Company's management.

Our responsibility is to issue an independent report as to whether the design and effective application of Abengoa's risk management system conforms to the principles established in ISO 31000 on "*Risk Management Principles and Guidelines*," based on the procedures used in our review of the NOC's design and application.

**Review criteria**

We have performed our review according to the guidelines of ISAE 3000 (the International Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information) issued by the International Auditing and Assurance Standard Board (IASSB) of the International Federation of Accountants (IFAC), providing reasonable assurance in accordance with said standard, with the scope described in the above section.

**Applied procedures**

Our review work consisted of reviewing the NOC themselves, application processes and procedures, in addition to making inquiries of corporate management, as well as the management of the various Abengoa Business Groups participating in the Company's risk management system, as described below:

Denominación Social: Pl. Pablo Ruiz Picasso, 1, 28020 Madrid  
Inscrito en el Registro Mercantil de Madrid al  
Tomo 19749, Libro 9, Folio 215, Sección 8ª.  
Nº de inscripción: 116. C.I.F.: 078970506

**02**

**Independent Review  
Report on the  
Design Effective  
Application of the Risk  
Management System**



- We interviewed key personnel and persons in charge of the design and effective application of the NOC to review and analyze the status of general management systems during 2011.
- We reviewed the IT systems and processes through which Abengoa develops its Risk Management System to evaluate the integrity of the information processed by the system, as well as overall system security and access control.
- We checked a random sample of the supporting documentation substantiating effective application of both the risk management system and the various procedures as per NOC specifications.

**Independence**

We have performed our work in accordance with the standards of independence required by the Code of Ethics of the *International Federation of Accountants (IFAC)*.

**Conclusion**

As a result of our review during 2011 of the design and effective application of the NOC and the described processes and procedures which make up the Abengoa risk management system, we conclude that:

- For the risks managed using Abengoa's risk management system approved by Management and applied to the various activities and companies through the NOC, the design and effective application of said management system are in conformity with the principles established in ISO 31000, "Risk Management Principles and Guidelines."
- At December 31, 2011, the design and effective application of said system enables the Company to suitably respond to the aforementioned business risks as established by ISO 31000, "Risk Management Principles and Guidelines."

ERNST & YOUNG, S. L.

\_\_\_\_\_  
José Díaz Morales  
Partner  
Date: 23/02/12



# 03

## Annual Corporate Governance Report

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Abengoa

Year close date: 31/12/2011

Tax identification number (Spanish C.I.F.):  
A-41002288

Company name: Abengoa, S.A.

## Annual Corporate Governance Report for Listed Public Limited Companies

### A. Ownership structure

A.1. Complete the following table on the company's share capital

Date of last change	Share capital (€)	Nº of shares	Nº. of Voting Rights
04/11/2011	90,641,108.58	107,612,538	9,046,110,858

Indicate whether different types of shares exist with different associated rights:

Yes

Class	Number of Shares	Nominal unit	Unit number of voting rights	Different rights
A	90,469,680	1 Euro	100 voting rights	Without different rights
B	17,142,858	0.01 Euro	1 voting right	

Article 8 of the Abengoa's Bylaws govern the rights of these kinds of shares. See Fifth Additional of this report.

A.2. List the direct and indirect holders of significant ownership interests in your company at year-end, excluding board members:

Personal or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Inversión Corporativa, I.C., S.A.	4,523,472,300	546,518,300	49.90% (class A shares)
Finarpisa, S.A.	546,518,300	0	6.02% (class A shares)

(\*) Held through:

Name or corporate name of direct holder of shares	Number of rights	% of total voting rights
Finarpisa, S.A.	546,518,300	6.02%

Indicate the most significant movements in the shareholding structure of the company over the year:

Not applicable.

A.3. Complete the following tables on the members of the Board of Directors of the Company that hold voting rights through company shares:

Personal or corporate name of shareholder	N° of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Mr.Felipe Benjumea Llorente	0	81,411,100	0.898
Aplicaciones Digitales S.L.	92,581,400	0	1,021
Mr.Manuel Sánchez Ortega	20,810,000	0	0.229
Mr.José Joaquín Abaurre Llorente	190,000	0	0.002
Mr.José Luis Aya Abaurre	5,507,600	0	0.060
Mrs. Mª Teresa Benjumea Llorente	1,239,000	0	0.013
Mr.Javier Benjumea Llorente	388,800	0	0.004
Prof.Jose Borrell Fontelles	300,000	0	0.003
Prof.Mercedes Gracia Díez	50,000	0	0.0005
Mr.Ricardo Martínez Rico	51,300	0	0.0005
Prof.Carlos Sebastián Gascón	1,300,000	1,200,000	0.027
Mr.Ignacio Solís Guardiola	2,100,000	0	0.023
Mr.Fernando Solís Martínez-Campos	5,083,200	3,444,000	0.093
Mr.Carlos Sundheim Losada	4,702,700	0	0.051
Mrs.Alicia Velarde Valiente	40,000	0	0.0004

(\*) Held through:

Name or corporate name of indirect holder of shares	Held through: Name or corporate name of direct holder of shares	Number of direct voting rights	% of total voting rights
Mr.Felipe Benjumea Llorente	Ardachon, S.L.	81,411,100	0.898
Mr.Fernando Solís Martínez-Campos	Dehesa del Mesto, S.A.	3,444,000	0.037
Prof.Carlos Sebastián Gascón	Bmca Inversiones S.L.	1,200,000	0.013

**% total of voting rights held by board of directors**

2.4254%

**Complete the following tables on members of the company's Board of Directors that hold rights over company shares:**

The board members do not hold rights over company shares.

A.4 Indicate, as applicable, any family, commercial, contractual or corporate relations between holders of significant shares, as far as known to the company, unless such relationship bears little relevance or arises from ordinary trading or course of business:

Inversión Corporativa, I.C, S.A holds 100% of Finarpisa, S.A.

A.5. Indicate, as applicable, any commercial, contractual or corporate relations between holders of significant shares on the one hand, and the company and/or its group on the other, unless such relationship bears little relevance or arises from ordinary trading or course of business:

No record.

A.6. Indicate whether any shareholders' agreements affecting the company have been communicated to the company pursuant to Art. 112 of the LMV. If so, provide a brief description and list the shareholders bound by the agreement:

Yes.

Under the investment agreement framework signed on November 8, 2011, between Abengoa and First Reserve Corporation, Inversión Corporativa IC and Finarpisa SA, in their capacity as Abengoa shareholders, made a commitment, effective November 4, 2011, to regulate the exercise of their respective voting rights in the Abengoa General Meeting in relation to the proposal, appointment, ratification, re-election or replacement of a board member representing First Reserve Corporation.

By virtue of said commitment, Inversión Corporativa I.C., S.A. and Finarpisa, S.A. jointly agree on the following:

- (i) to vote on the following through their representatives on the Board of Directors of Abengoa: (a) on the appointment of the candidate proposed to served as board member on said Board, appointed by the investor following the co-optation procedure envisaged in the Corporations Act. and (b) the proposal to recommend the Abengoa shareholders that Abengoa may name in the next General Meeting of shareholders, as the case may be, to replace the investor's representative on the Board of Directors;
- (ii) to vote in the corresponding General Meeting of shareholders of Abengoa in favour of the appointment of the candidate proposed by the Investor to serve as the investor's representative on the Board of Directors;
- (iii) FRC or any of its subsidiaries holding Abengoa class B shares or any other instrument convertible in, or exchangeable for, Abengoa Class B shares, issued in accordance with the Investment Agreement stipulations or with any other transaction document may not propose or ask the Board of Directors to recommend that the shareholders make any kind of changes to the Company Bylaws which may adversely affect the equality rights of Class B shares and Class A shares as regards the distribution of dividends or analogous such as envisaged in the Bylaws

**Specify whether the company is aware of the existence of any concerted actions among its shareholders. If so, provide a brief description:**

No record.

**Expressly indicate any amendments to, or terminations of such agreements or concerted actions during the year, if any:**

No record.

A.7. Indicate whether any individuals or corporate bodies currently exercise, or could exercise, control over the company pursuant to Article 4 of the Spanish Securities Market Act (Ley del Mercado de Valores). If so, please identify:

**Personal or corporate name:**

Inversión Corporativa, I.C., S.A.

**Notes**

Inversión Corporativa directly holds 49.90% of the share capital and indirectly holds 6.02% through its subsidiary, Finarpisa, S.A, which is also 100% owned by Inversión Corporativa.

A.8 Complete the following tables on the company’s treasury stock:

**At year end:**

Number of direct shares	Number of indirect shares	% of total share capital
2,913,435	0	3.21

**Provide details of any significant changes during the year, in accordance with Royal Decree 1362/2007 (Real Decreto 1362/2007).**

Date of communication	Total <sup>o</sup> of direct shares acquired	Total <sup>o</sup> of indirect shares acquired	% of total share capital
31/12/2011	7.784.190	0	8,59
Capital gains/(loss) on treasury stock disposed of over the period (€2,144,372.96)			

A.9. Provide details of the applicable conditions and timeframes governing the powers of the Board of Directors, as conferred by the General Shareholders’ Meeting, to acquire and/or transfer treasury stock.

The Ordinary General Meeting of Shareholders Meeting held on April 10, 2011, agreed to authorize the Board of Directors to buy back the Company’s shares either directly or through its subsidiary or investee companies up to the maximum permitted by current laws at a rate set between one hundredth part of a Euro (€0.01) as a minimum and sixty Euros (€60) as maximum, with express power of substitution in any of its members. Said power shall remain in vigour for eighteen (18) months from this very date, subject to article 144 and following of the Corporations Act.

On November 19, 2007, the company signed an agreement with Santander Investment Bolsa, S.V. with the aim of enhancing the liquidity of transactions involving shares, ensuring consistent stock prices and avoiding fluctuations caused by non-market trends, without such agreement interfering with the normal operations of the market and in strict compliance with applicable stock market law. Although said agreement fails to meet the conditions set forth in CNMV Circular 3/2007 of December 19, Abengoa has ensured the voluntary compliance with the prerequisites of information set forth in Circular 3/2007 to that effect. Quarterly reports of the transactions effected under the aforesaid Agreement were issued to the Spanish CNMV and posted on the company’s website.

As at December 31, 2011, the treasury stock balance amounted to 2,913,435.

In relation to transactions performed over the year, the number of treasury shares acquired stood at 7,784,190 while treasury shares disposed of amounted to 5,096,005. The net operating result amounted to - €2,144,372.96.

A.10 Indicate, if applicable, any restrictions imposed by law or the Bylaws on voting rights, including any legal restrictions on the acquisition or transfer of ownership interests in the share capital. Indicate whether there are any legal restrictions on exercising voting rights:

**Maximum percentage of voting rights that a shareholder may exercise by reason of legal restriction:**

No restriction.

**Indicate whether the company's Bylaws include any restrictions on the exercise of voting rights:**

No.

**Maximum percentage of voting rights that a shareholder may exercise by reason of Bylaw restrictions**

No restriction.

**Indicate whether there are any legal restrictions on the acquisition or transfer of holdings in the share capital:**

Yes.

This restriction only affects the Class B shares issued by the company.

With regards to the investment agreement signed on October 4 and fully effective from November 4, 2011, between Abengoa and First Reserve Corporation, the latter shall assume the commitment of not to sell the shares it holds in the Abengoa stock capital for a period of two and half years. At the end of the period, various formulas shall be established for the sale of the shares or for their eventual exchange for the Class A shares, whatever Abengoa decides.

A.11 Indicate whether the General Shareholders' Meeting has agreed to adopt neutralization measures to prevent a public takeover bid pursuant to the provisions of Act 6/2007 (Ley 6/2007).

Not.

**Where applicable, explain the approved measures and terms under which restrictions will be rendered ineffective:**

No record.

B. Structure of the company’s governing bodies

B.1 Board of Directors

B.1.1 Indicate the maximum and minimum number of directors stipulated in the company Bylaws:

Maximum number of directors	15
Minimum number of directors	3

B.1.2 Complete the following table on the members of the Board of Directors:

Personal or corporate name of member	Representative	Seat on the Board	Date of 1st appt.	Date of last appt.	Election procedure
Mr.Felipe Benjumea Llorente		Chairman	25/06/1983	05/04/2009	Voting Rights in Shareholders’ Assembly
Aplicaciones Digitales SL.	Prof. José B. Tercerio Lomba	Chairman	15/04/2007	10/04/2011	Voting Rights in Shareholders’ Assembly
Mr.Manuel Sánchez Ortega		Managing Director (CEO)	25/10/2010	10/04/2011	Voting Rights in Shareholders’ Assembly
Mr.José Joaquín Abaurre Llorente		Board Member	25/06/1988	05/04/2009	Voting Rights in Shareholders’ Assembly
Mr.José Luis Aya Abaurre		Board Member	25/06/1983	05/04/2009	Voting Rights in Shareholders’ Assembly
Mrs.María Teresa Benjumea Llorente		Board Member	15/04/2007	10/04/2011	Voting Rights in Shareholders’ Assembly
Mr.Javier Benjumea Llorente		Board Member	25/06/1983	05/04/2009	Voting Rights in Shareholders’ Assembly
Prof.José Borrell Fontelles		Board Member	27/07/2009	11/04/2010	Voting Rights in Shareholders’ Assembly
Prof.Mercedes Gracia Díez		Board Member	12/12/2005	11/04/2010	Voting Rights in Shareholders’ Assembly
Mr.Ricardo Martínez Rico		Board Member	24/10/2011	24/10/2011	Co-optation
Prof.Carlos Sebastián Gascón		Board Member	26/06/2005	05/04/2009	Voting Rights in Shareholders’ Assembly
Mr.Ignacio Solís Guardiola		Board Member	15/04/2007	10/04/2011	Voting Rights in Shareholders’ Assembly
Mr.Fernando Solís Martínez-Campos		Board Member	15/04/2007	10/04/2011	Voting Rights in Shareholders’ Assembly
Mr.Carlos Sundheim Losada		Board Member	15/04/2007	10/04/2011	Voting Rights in Shareholders’ Assembly
Mrs.Alicia Velarde Valiente		Board Member	06/04/2008	06/04/2008	Voting Rights in Shareholders’ Assembly
<b>Total of Board Members</b>					<b>15</b>

Indicate the Board of Directors whose services were terminated during the period being reported:

Personal or corporate name of board member	Condition of member at the time of termination	Termination Date
Mr.Daniel Villalba Vilá	Independent member	25/07/2011

**B.1.3 Complete the following tables on the different types of members of the board:**

■ Executive directors

Personal or corporate name of director	Committee that proposed the appointment	Position within the company structure
Mr.Felipe Benjumea Llorente	Appointments and Remuneration Committee	Executive-Chairman
Aplicaciones Digitales, S.L.	Appointments and Remuneration Committee	Executive Deputy Chairman
Mr.Manuel Sánchez Ortega	Appointments and Remuneration Committee	CEO

**Total number of Board members** **3**  
**Total % of Board** **20%**

■ Independent External Directors

Personal or corporate name of board member	Committee that proposed the appointment	Personal or corporate name of significant shareholder they represent or which proposed their appointment
Mr.Fernando Solís Martínez-Campos.	Appointments and Remunerations Committee	Inversión Corporativa, I.C., S.A.
Mr Ignacio Solís Guardiola.	Appointments and Remunerations Committee	Inversión Corporativa, I.C., S.A.
Mr.Javier Benjumea Llorente	Appointments and Remunerations Committee	Inversión Corporativa, I.C., S.A.
Mr.José Joaquín Abaurre Llorente	Appointments and Remunerations Committee	Inversión Corporativa, I.C., S.A.
Mr.José Luis Aya Abaurre	Appointments and Remunerations Committee	Inversión Corporativa, I.C., S.A.
Mrs.M <sup>a</sup> . Teresa Benjumea Llorente	Appointments and Remunerations Committee	Inversión Corporativa, I.C., S.A.
Mr.Carlos Sundheim Losada	Appointments and Remunerations Committee	Inversión Corporativa, I.C., S.A.

**Total number of proprietary directors** **7**  
**% of total Board of Directors** **46.667**

■ Independent external directors

**Personal or corporate name of director** Mrs. Alicia Velarde Valiente

**Profile** Independent

Mrs. Alicia Velarde was born in Madrid on October 28, 1964 and studied at ICE Pablo VI from where she graduated Magna Cum Laude. She earned a Law Degree from San Pablo University Studies Centre (Universidad Complutense) obtaining 21 distinctions (A+), 3 As and 1 A-. In 1990 she passed the Notary exams and became a Notary Public. During the 1994-1995 academic years she taught Civil Law at Universidad Francisco de Vitoria, where she remained until 1999. She is still connected with this University where from 1999 to the present, she teaches Master Lectures in the Masters in Canon Law, under the Directorship of Mr. José M<sup>a</sup> Iglesias Altuna.

**Personal or corporate name of director** Prof. Carlos Sebastián Gascón

**Profile** Independent

Prof. Gascón (born in Madrid in 1944) studied at the universities of Madrid, Essex (UK) and the London School of Economics. He has been professor of Introduction to Economic Analysis at Madrid's Universidad Complutense since 1984. Outside his academic life, he has served as Director General for Planning attached to the Spanish Ministry of the Economy, director of the Fundación de Estudios de Economía Aplicada (FEDEA) and consultant and director of various private companies. He currently sits on the boards of Abengoa, S.A., Abengoa Bioenergía, S.A. and Gesif, S.A. He is likewise a member of the Boards of Trustees of Fundación Real Madrid and



of the Scientific Committee of Fundación de Estudios Financieros. He has written many articles and papers on macroeconomics, the workplace, economic growth and the institutional economy and is also a regular columnist for the Cinco Días economic newspaper.

**Personal or corporate name of board member** Mr. Ricardo Martínez Rico

**Profile** Independent

Mr. Ricardo Martínez Rico holds a Degree in Business, with extraordinary merit, Commercial Expert and State Economist, on leave of absence, and founding member and executive chairperson of the Equipo Económico, S.L. Among other posts previously held, he managed the Spanish Business and Economic office in Washington and served as State Secretary for Budgets and Expenses in 2003/2004.

**Personal or corporate name of director** Prof. Mercedes Gracia Díez

**Profile** Independent

Professor of Econometrics at Madrid's Universidad Complutense and at Centro Universitario de Estudios Financieros. She has had her scientific work published in the Journal of Business and Economic Statistics, Review of Labour Economics and Industrial Relations, Applied Economics and the Journal of Systems and Information Technology. Director of Balance Sheet Management at Caja Madrid (1996-1999). Head of the Economics and Law Division of the National Agency for Evaluation and Forecasting (Agencia Nacional de Evaluación y Prospectiva) (1993-1996).

**Personal or corporate name of director** Prof. José Borrell Fontelles

**Profile** Independent

Mr Borrell Fontelles (born 24/04/1947) is professor of Introduction to Economic Analysis at Madrid's Universidad Complutense and is to be the next Chairman of the European University Institute in Florence. He studied aeronautic engineering at the Universidad Politécnica in Madrid, and also holds a doctorate in Economic Sciences, a master's degree in Operations Research from Stanford and a further master's from Paris' Institut Français du Pétrole. He worked as an engineer at Compañía Española de Petróleos (1972-1981) and, between 1982 and 1996, he served successively as Secretary General for Budget, Secretary of State for Finance and Minister for Public Works, Telecommunications, Transport and the Environment. He was Chairperson of the European Parliament over the first half of the 2004-2009 legislative term and Chairperson of the Development Assistance Committee over the second.

<b>Total number of independent directors</b>	<b>5</b>
<b>% of total Board of Directors</b>	<b>33.3%</b>

■ Other external directors

None.

**Explain the reasons for why these cannot be considered independent or proprietary directors and detail their connections with the company, its executives or its shareholders.**

Not applicable.

**Detail any changes in the classification of directors that may have taken place over the year:**

Not applicable.

**B.1.4 Explain, where applicable, the reasons why proprietary directors have been appointed at the request of shareholders whose stake amounts to less than 5% of the share capital.**

**Detail any failure to address formal requests for board representation made by shareholders whose stake equals or exceeds that of others at whose request proprietary directors have been appointed. If so, explain why the request was not entertained.**

Not.

**B.1.5 Indicate whether any director has left their post before the end of their term of office, whether they explained their reasons to the Board and by which means and, if this was served in writing to the entire Board, explain the reasons given as a bare minimum:**

On July 25, 2011, Mr. Daniel Villalba Vilá resigned as board member and the resignation was accepted by the Board of Directors of Abengoa on the same date (he also resigned as head of the Appointments and Remunerations Committee and as member of the Audit Committee) due to the increase of other professional occupations.

**B.1.6 Indicate, if applicable, the powers vested in any Chief Executive Officers:**

All CEO-related faculties are vested in Mr. Manuel Sánchez Ortega and Mr. Felipe Benjumea Llorente. A General Power of Attorney has been conferred upon Mr. José Terceiro.

**B.1.7 Identify, where applicable, any Board members who hold administrative or executive posts in other companies that belong to the same business group as the listed company subject to this report:**

Personal or corporate name of board member	Corporate name of entity of group	Position
Prof. José B. Terceiro	Bioetanol Galicia, S.A	Chairman
Mr. Ricardo Martínez Rico	Abengoa Bioenergía, S.A.	Board Member

**B.1.8 Provide details, where applicable, of any company Board members who also sit on the boards of other entities that do not belong to the same business group and are listed on official securities markets in Spain, insofar as these are known by the company.**

**B.1.9 Indicate whether the company has established rules on the number of Boards on which its own Board members may sit. If so, provide details:**

No.

**B.1.10 In relation to recommendation 8 of the Unified Code, indicate the company's general strategies and policies that must be approved by plenary session of the Board of Directors:**

Investment and financing policy  
Yes.

Definition of the structure of the business group  
Yes.

Corporate governance policy  
Yes.

Corporate social responsibility policy  
Yes.

Strategic or Business Plan, and budget and management targets  
Yes.

Remuneration and performance assessment policy for senior executives  
Yes.

Risk control and management policy; and the frequent monitoring of internal information and control systems  
Yes.

Dividends and treasury stock policy and, in particular, limits thereto  
Yes.

**B.1.11 Complete the following tables on the aggregate remuneration of Board members accrued over the financial year:**

**a) For the company covered by this report:**

Type of remuneration	Figures in thousands of Euros
Fixed remuneration	1.172
Variable remuneration	9.632
Allowances	2.204
Benefits as per Bylaws	-
Share options and/or other financial instruments	-
Others	177
<b>Total</b>	<b>13.185</b>

Other benefits	Figures in thousands of Euros
Advance payments	-
Loans granted	-
Pension funds and plans: Contributions	-
Pension funds and plans: Acquired obligations	-
Life insurance premiums	-
Guarantees created by the company in favour of Board members	-

**b) Remuneration payable to members of the company's Board of Directors due to positions held on other Boards of Directors and/or within the senior management of other group companies:**

Type of remuneration	Figures in thousands of Euros
Fixed remuneration	52
Variable remuneration	-
Allowances	-
Benefits as per Bylaws	-
Share options and/or other financial instruments	-
Others	-
<b>Total</b>	<b>52</b>

Other benefits	Figures in thousands of Euros
Advance payments	-
Loans granted	-
Pension funds and plans: Contributions	-
Pension funds and plans: Acquired obligations	-
Life insurance premiums	-
Guarantees created by the company in favour of Board members	-

**c) Total remuneration by type of director:**

Type of director	For the company	For the group
Executive	11.170	-
External, proprietary	875	24
External independent	1.140	28
Other external	-	-
Total:	13.185	52

**d) Profit attributed to the parent company:**

<b>Total remuneration to directors (in thousand Euros)</b>	<b>13.237</b>
<b>Total remuneration to directors/profit attributed to the parent company (expressed as %)</b>	<b>5,14%</b>

**B.1.12 Identity any members of the senior management that are not in turn executive directors, and indicate the total remuneration payable thereto during the financial year:**

Personal or corporate name:	Position
Mr. Javier Salgado Leirado	Director of the Bioenergy Business Group
Mr. Javier Molina Montes	Director of the Environment Business Group
Mr. Alfonso González Domínguez	Director of Ind. Engineering and Construction Business Group
Mr. Santiago Seage Medela	Director of Solar Business Group
Mr. Miguel Angel Jiménez-Velasco Mazario	General Secretary
Mr. Jose Fernando Cerro Redondo	Vice General Secretary
Mr. José Marcos Romero	Director of Appointments and Remuneration
Mr. Jose Dominguez Abascal	Technical General Secretary
Mr. Álvaro Polo Guerrero	Director of Human Resources
Mr. Luis Fernandez Mateo	Director of Organization, Quality and Budgets
Mr. Vicente Jorro de Inza	Financial Director
Mr. Juan Carlos Jiménez Lora	Director de Planning and Control
Mr. Luis Enrique Pizarro Maqueda	Internal Audit Director
Mr. Enrique Borrajo Lovera	Director of Consolidation
Mrs. Barbara Sofia Zubiria Furest	Director of Reporting and Head of Investor Relations
Mr. German Bejarano García	Director of International Institutional Relations
Mr. Fernando Martínez Salcedo	General Secretary of Sustainability

**Total remuneration paid to the senior management (in thousand Euros): 7.822**

**B.1.13 Identify, on an aggregate basis, whether members of the company's or group's senior management team, including executive directors, are afforded guarantees or golden parachute clauses in the event of dismissal or changes of control. Indicate whether these contracts must be communicated to, and/or approved by the governing bodies of the company or its group:**

There are no contracts or lists of the indicated. Whatever the case may be it is the competence of the Board of Directors upon the proposal of the Appointment and Remunerations Committee, which, as already indicated, has not yet been exercised.

**B.1.14 Describe the process for establishing the remuneration of Board members and the relevant provisions of the Bylaws.**

**Process for establishing the remuneration of Board members and relevant Bylaws**

Established by the Appointments and Remuneration Committee, Art. 39 of the Bylaws, Remuneration Policy Report for company directors presented to the General Shareholders' Meeting.

**Indicate whether the following decisions must be approved by plenary session of the Board:**

Following a proposal from the company's chief executive, the appointment and removal of senior executives, including their compensation clauses  
Yes.

The remuneration of Board members and, in the case of executive ones, the additional remuneration for their executive functions and other conditions set forth in their contracts.  
Yes.

**B.1.15 Indicate whether the Board of Directors approves a detailed remuneration policy and explain the matters covered therein:**

Amount of fixed remuneration items, including a breakdown, where applicable, of allowances for participation on the Board and its committees and an estimation of the annual fixed remuneration to which they give rise  
Yes.

Variable remuneration items.  
Yes.

Main characteristics of the benefits system, with an estimation of their annual amount or equivalent cost.  
Yes.

Conditions that must be contained within the contracts of those who perform senior management functions as executive directors.  
Yes.

**B.1.16 Indicate whether the Board submits a report on the directors' remuneration policy to the advisory vote of the General Shareholders' Meeting, as a separate item on the agenda. If so, explain aspects of the report concerning the remuneration policy as approved by the Board for forthcoming years, the most significant departures in such policies compared to that applied during the financial year in question and an overall summary of how the remuneration policy was applied over the financial year in question. Outline the role played by the Remuneration Committee and, if external consultancy was sought, the identity of the external consultants that provided it.**

Yes.

The 2011 financial year Appointments and Remunerations Committee issued reports on: The follow-up and evolution of remunerations of the members of the Board of Directors and the company's top management.

The proposal of remunerations for the members of the Board of Directors and the company's top management.

The preparation of the relevant information to be included in the financial statement.

The proposal to the Board of Directors for the co-optation appointment of board member Mr. Manuel Sanchez Ortega, following the resignation of Mr. Miguel Martín Fernández

The proposal to the Board of Directors to be submitted to the next Shareholders' General Assembly, to ratify the previous appointment of Mr. Manuel Sánchez Ortega as CEO, by co-optation.

The proposal to the Board of Directors for the approval of the annual report on the Policy of Remuneration of Administrators.

**03**

**Annual Corporate Governance Report**

The report verifying adherence to the conditions entailed in the appointment of board members and their characteristics and type.

The proposal to the Board of Directors reporting on the remuneration of the members of the board of directors and the chief executive.

Reports on salary comparison and market researches by independent experts.

**Issues covered in the remuneration policy report**

Amount of fixed remuneration and variable remuneration items.

**Role played by the Remuneration Committee**

Preparation of the proposal to the Board, stating grounds.

**Did the company seek external consultancy?**

Yes.

**Identity of external consultants**

Three independent external consultancy firms.

**B.1.17 Indicate, if applicable, the identity of Board members who are also members of the Board of Directors, executives or employees of companies and at the same time hold significant shareholdings in the listed company and/or in entities belonging to its business group:**

Personal or corporate name of director	Corporate name of the significant shareholder	Position
Mr. Felipe Benjumea Llorente	Inversión Corporativa, I.C, S.A.	Chairman and joint and several delations powers
Mr. Fernando Solís Martínez -Campos	Inversión Corporativa, I.C, S.A.	Member
Mr. Ignacio Solís Guardiola	Inversión Corporativa, I.C, S.A.	Member
Mr. Javier Benjumea Llorente	Inversión Corporativa, I.C, S.A.	Member
Mr. José Joaquín Abaurre Llorente	Inversión Corporativa, I.C, S.A.	Member
Mr. José Luis Aya Abaurre	Inversión Corporativa, I.C, S.A.	Vice-chairman with joint and several delegation powers

**Provide details, where applicable, of any relevant relations other than those contemplated in the previous section, between members of the Board of Directors and significant shareholders and/or group entities:**

**Personal or corporate name of the Board member**

Mr. Benjumea Llorente

**Personal or corporate name of significant shareholder**

Finarpisa, S.A.

**Description of the relationship**

Chairman of the Board

**B.1.18 Indicate whether any amendments were made to the Regulations of the Board of Directors during the financial year:**

In the Board of Directors' meeting held on 24th October 2011, amongst other things, a decision was taken with regards to the agreement on the partial modification of Articles 27 and 28 of the Board of Directors of Abengoa S.A. A specific entry was made on the minimum number of members that may make up the Appointments and Remunerations Committee, as well as that of the Audit Committee:

Article 27: "[...] The Audit Committee shall consist of a minimum of three board members with mandates of four years maximum. Two of them shall be non-executive board members, thus ensuring a non-executive majority as envisaged in the aforementioned Law [...]"

Article 28: "[...] The Appointments and Remunerations Committee shall consist of a minimum of three board members with mandates of four years maximum. Two of them shall be non-executive board members, thus ensuring a non-executive majority [...]"  
Said modification was entered in the Seville Company Registry and the CNMV was informed thereof.

**B.1.19 Indicate the procedures for the appointment, reappointment, appraisal and removal of Board members. Provide details of the competent bodies, the processes to be followed and the criteria employed in each of the procedures.**

The Appointments and Remuneration Committee is the competent body in all cases and provides the Board of Directors with its duly substantiated proposal, applying the criteria of independence and professionalism as established in the regulations governing the Board and the Committee itself.

The performance of board members and of the executive board members is evaluated on the proposal of the Appointments Commission through a reasoned report filed to the Board during its first meeting of the following quarter, after the closing of the previous exercise and upon obtaining or at least knowing the estimate of the accounts closure for the exercise and receiving the report from the auditor, which are essential as evaluation criteria.

The Audit Committee and the Appointment and Remunerations Committee were formed on December 2, 2002 and on February 24, 2003, respectively. On the same date, the Board of Directors prepared a proposal to modify the Bylaws for the purpose of incorporating the forecasts relating to the Audit Committee, the proposal of the Regulations on the development of Shareholders Assemblies, the partial modifications to the Regulations of the Board of Directors and, finally, the Regulations on the internal system of the Audit Committee and of the Appointment and Remunerations Committee, approved by the General Meeting on June 29, 2003.

In February 2004 the composition of both commissions was modified for the purpose of permitting independent board members from outside the Company to become members of those commissions. Consequently, the Audit Committee and the Appointment and Remunerations Committee were now made up of board members, all of whom were non-executive and most of whom were independent, in accordance with what is established in the Financial System Reforms Act. As a result, the first two independent board members were appointed by the Board of Directors since there was still, logically, no appointment committee. Said independence is also ratified on annual basis by the Appointment Commission. Upon its forming, the proposal for the appointment of board members became part of its competence, and since then the aforementioned commission has been the one making the proposals to the Board of Directors.

**B.1.20 Indicate the cases in which Board members are obliged to resign.**

Directors are removed from office when the term for which they were appointed comes to an end, and similarly in all other cases when removal or resignation is required pursuant to applicable law, the Bylaws or these Regulations.

Directors must offer to resign and, if the Board of Directors considers it appropriate, tender their resignation in the following cases:

- a) In any of the cases of incompatibility or prohibition prescribed by law.
- b) When they are severely punished by a public authority for having violated their obligations as board members.
- c) When asked to do so by the Board itself for having violated their obligations as board members.

Thus, Article 13 (Board Member Dismissal) of the Board of Directors Regulations establishes that:

1. Board members shall be dismissed from their posts after the period for which they were appointed and under all the other assumptions pursuant to the Law, the Bylaws and this Regulation.
2. Board members are bound to place their posts at the disposal of the Board of Directors and to sign, should the Board deem it convenient, the relevant resignation in the following cases:
  - a) If they are involved in any of the legally envisaged assumptions of prohibition, incompatibility or conflicts of interest;
  - b) If they are severely punished by any public authority for infringing upon their obligations as board members;
  - c) Should the board itself request it so for having infringed upon their obligations as board members;
3. Once the period ends or is terminated, for any other reason, said board member, in the performance of its duty, may not render any services to any other competing entity for a period of two years, except if the Board of Directors frees him/her from this obligation or shortens its duration

**B.1.21 Explain whether the function of chief executive of the company falls upon the Chairman of the Board of Directors. If so, indicate the measures that have been taken to limit the risks associated with powers being concentrated in one sole person:**

#### **Measures to limit risks**

In accordance with that set forth in article 44 bis of the company's Bylaws, the Board of Directors set up the Audit Committee and the Appointments and Remuneration Committee on December 2, 2002 and February 24, 2003, respectively.

These committees are vested with the necessary non-delegable powers stemming from the responsibilities assigned to them by law, the Bylaws and their respective internal regulations. They have been set up to control and oversee those matters that fall within their remit.

Both are presided over by an independent, non-executive director, and likewise comprise a majority of independent and non-executive directors.

On December 10, 2007, the Board of Directors decided to appoint Mr. José B. Terceiro Lomba (representing Aplicaciones Digitales SL), coordinating board member, as Executive Deputy Chairman of the Board of Directors, with the consent of all the other board members and especially the independent members.

On October 25, 2010, the Board of Directors also decided to appoint Mr. Manuel Sánchez Ortega as CEO sharing his executive duties with Mr. Felipe Benjumea Llorente. The existence of three executive board members, as stated above, within a wide majority



of independent or external board members results in the working control of the decisions of the top executive, ensuring that sound decisions are taken and allowing better performance of the company's corporate governance.

**Indicate and, where applicable, explain whether rules have been established that empower one of the independent Board members to request that a meeting of the Board be convened, or that new items be added to the agenda, the aim being to coordinate and echo the concerns of the external directors and oversee evaluation by the Board of Directors.**

#### Explanation of the rules

The Board of Directors is currently composed of fifteen members. The Regulations of the Board of Directors govern its composition, functions and internal organization. In addition, there is an Internal Code of Conduct in Stock Markets, the scope of which extends to members of the Board of Directors, senior management and all those employees who, on account of their posts or assigned duties, may be affected by its content. The Regulations of the General Shareholders' Meeting govern the formal and internal aspects of such meetings. Lastly, the Board of Directors is assisted by the Audit Committee and the Appointments and Remuneration Committee, which both have their own Internal Regulations. All these regulations, brought together in a consolidated text of the Internal Corporate Governance Regulations, are available at the company's website, [www.abengoa.com](http://www.abengoa.com). Since its inception, the Appointments and Remuneration Committee has been analyzing the structure of the company's governing bodies and has been working to adapt it to incorporate corporate governance recommendations, paying particular attention to the historic and special configuration of these bodies within Abengoa. In accordance with this analysis, in February 2007 the Committee recommended the creation of the post of coordinating director, coupled with the elimination of the Advisory Committee to the Board of Directors. The first measure was in order to incorporate the most recent corporate governance recommendations, as created in Spain in 2006, whereas the second was proposed because the Committee considered that the Advisory Committee had already fulfilled the function for which it was originally created and that its coexistence with the corporate bodies could lead to conflicts of power. Both proposals were approved at a meeting of the Board of Directors held in February 2007 and at the General Shareholders' Meeting held on April 15 of the same year, and José B. Terceiro was appointed (on behalf of Aplicaciones Digitales, S.L.) as coordinating board member, in his capacity as independent member. On a final note, in October 2007 the Committee proposed to the Board that it accept the resignation of Mr. Javier Benjumea Llorente from his position as Vice-Chairman, with the consequent revocation of his delegated powers, and likewise accept the appointment of a new natural person to represent Abengoa and the Focus-Abengoa Foundation in those entities or companies in which they have an appointed position.

The Committee then considered it advisable to recommence its study on the number and characteristics of the Vice-Chairman of the Board of Directors within the current structure of governing bodies.

As a result of this, the Committee thought it necessary for the Executive Deputy Chairman of Abengoa to have the powers conferred by the Spanish Corporations Act (Ley de Sociedades Anónimas) with regard to the organic representation of the company on the one hand, and, on the other, as a counterweight to the functions of the Chairman within the Board of Directors. On this basis, it considered that a coordinating director – with the functions assigned to that position by the resolutions of the Board of Directors (February 2007) and the General Shareholders' Meeting (April 2007) – would be the ideal figure, given the corporate governance recommendations and the structure of the company, as well as the composition and diversity of its directors. The coordinating director has already been entrusted with the task of coordinating the concerns and motivations of the other Board members, and as such has the power to request that a Board meeting be convened and that new items be included on the agenda. In its role as the visible head of Board members' interests, it has, more

de facto than de jure, a certain representative nature on the Board, and it therefore seemed appropriate to confirm and expand this representation by making the post both institutional and organic. For the reasons outlined above, the Committee proposed Aplicaciones Digitales, S.L. (Aplidig, represented by Mr José B. Terceiro Lomba), the current coordinating director, as the new executive deputy chairman to the Board of Directors. In addition, and within the functions of organic representation, the current executive deputy chairman, jointly with the chairman of the Board, was put forward as the physical representative of Abengoa in its capacity as the chair of the Focus-Abengoa Foundation, as well as in any other foundations and institutions in which the company is or must be represented.

In view of the above, on December 10, 2007, the Board of Directors agreed to appoint Aplicaciones Digitales, S.L. (represented by Mr José B. Terceiro Lomba), the current coordinating director, as executive deputy chairman of the Board of Directors, with the unanimous consent of the independent directors for the company to continue acting as coordinating director in spite of its new appointment as executive deputy chairman. In addition, and within the functions of organic representation (conferred by means of a power of attorney granted by the Board of Directors on July 23, 2007), the vice-chairman, jointly with the chairman of the Board of Directors, has been put forward as the physical representative of Abengoa, in its capacity as the chair of the Board of the Focus-Abengoa Foundation, as well as in any other foundations and institutions in which the company is or must be represented.

**B.1.22 Are reinforced majorities (different from legal majorities) required for any type of resolution?**

No.

**Indicate how the resolutions of the Board of Directors are adopted, stating, at least, the minimum quorum and the types of majorities required to adopt the resolutions:**

**Description of the resolution:**

All, save ones for which legally reinforced majorities are required.

Quorum	%
Half plus one	50.01

Type of majority	%
Simple	50.01

**Description of the resolution:**

**Delegation of powers**

Quorum	%
Half plus one	50.01

Type of majority	%
Two thirds	66,66

**B.1.23 Explain whether there are specific requirements, different from those relating to Board members, in order to be appointed Chairman.**

No.

**B.1.24 Indicate whether the Chairman has a casting vote:**

Yes.

**Matters on which there is a casting vote: In the event of a tie**

**B.1.25 Indicate whether the Bylaws or the Board Regulations establish any limit on the age of directors:**

Maximum age of Chairman	Maximum age of the Chief Executive	Maximum age for Board members
0	0	0

**B.1.26 Indicate whether the Bylaws or the Regulations of the Board of Directors establish a limited term of office for independent directors:**

No.

**Maximum term of office: None**

**B.1.27 If there are few or no female directors, explain the reasons and the initiatives adopted in order to remedy the situation.**

**Explanation of the reasons and the initiatives**

As at December 31, 2011, there were 3 females in a total of 15 board members (20%)

The internal policy of the company, mainly reflected in the Code of Conduct and in the procedure for selecting and hiring workers, excludes all discriminatory measures, actions or omissions

**In particular, indicate whether the Appointments and Remuneration Committee has established procedures to ensure that selection processes do not suffer from implicit biases that hamper the selection of female Board members, and whether female candidates who meet the required profile are deliberately sought:**

**Specify the main procedures**

There are no discriminatory measures. The number of female directors increased from one in 2006 to three (25/02/2008).

Through the Abengoa Equality Framework Plan the company has defined a corporate strategy in the field of equal rights between male and female. Thus, all Abengoa companies and work centres are using this Plan as reference to develop and approve their own.

Article 1 letter a and b of the Appointments and Remunerations Committee Regulations specifically outline the quest for equal opportunities.

**B.1.28 Indicate whether there are any formal processes in place for granting proxies at Board meetings. If so, provide a brief description:**

Not applicable.

The second section of Article 10 of the Regulations of the Board of Directors establishes

the following:

“Each Board Member may confer his/her representation upon another Board Member without it limiting the number of representations that each may hold for attendance to the Board. The representation of the absent Board Members may be conferred by any written means whatsoever, including telegram, telex or telefax addressed to the Chair.”

**B.1.29 Indicate the number of Board meetings held during the financial year. Likewise indicate, where applicable, the number of times the Board met without the Chairman in attendance:**

Number of Board meetings	11 (including 1 written meeting)
Number of Board meetings without the attendance of the Chairman	0

**Indicate the number of meetings held by the different Board committees during the financial year:**

Number of meetings of the Executive or Delegate Committee	Not applicable.
Number of meetings of the Audit Committee	5
Number of meetings of the Appointments and Remuneration Committee	4
Number of meetings of the Appointments Committee	Not applicable.
Number of meetings of the Remuneration Committee	Not applicable.

**B.1.30 Indicate the number of Board meetings held during the year without the attendance of all its members. Proxies granted without specific instructions for the meeting should be treated as non-attendances:**

Number of non-attendances of directors during the year	7
% of non-attendances of the total votes cast during the year	2.6

**B.1.31 Indicate whether the individual and consolidated annual accounts presented to the Board for approval are previously certified:**

Yes.

**Identify, where applicable, the people who certified the company’s individual and consolidated accounts for approval by the Board:**

Name	Position
Mr. Vicente Jorro	Financial Manager
Mr. Enrique Borrajo Lovera	Director of Consolidation

**B.1.32 Explain, if applicable, the mechanisms established by the Board of Directors to prevent the prepared individual and consolidated accounts from being presented to the General Shareholders’ Meeting with qualifications in the audit report.**

The risk control system, the internal audit services and the Audit Committee have been set up to act as mechanisms of frequent and recurrent control and oversight. They identify and, where appropriate, resolve potential situations which, if not addressed, could give rise to incorrect accountancy treatment.

**B.1.33 Is the secretary to the Board also a director?**

No.

**B.1.34 Explain the procedures for the appointment and removal of the**

Secretary to the Board, indicating whether they are proposed by the Appointments Committee and approved by plenary session of the Board.

**Appointment and Removal Procedure**

Proposal from the Appointments and Remuneration Committee, stating grounds

Does the Appointments Committee communicate appointments?	Yes.
Does the Appointments Committee communicate removals?	Yes.
Does the plenary session of the Board approve appointments?	Yes.
Does the plenary session of the Board approve removals?	Yes.

**Does the Secretary to the Board have special responsibility for ensuring that the recommendations on good governance are followed?**

Yes.

**B.1.35 Indicate, if applicable, the mechanisms established by the company to preserve the independence of the auditor, of financial analysts, of investment banks and of rating agencies.**

The Audit Committee is composed of a majority of non-executive directors, thus meeting the requirements set forth in the good governance regulations and, especially, in the Spanish Financial System Reforms Act (Ley de Reforma del Sistema Financiero). Likewise, in accordance with the provisions of Article 2 of its Internal Regulations, the office of Chairman of the Committee must be held by a non-executive director.

Functions

The Audit Committee is entrusted with the following functions and responsibilities:

To report on the Annual Accounts, as well as on the quarterly and half-yearly financial statements that must be issued to the regulatory or supervisory bodies of the securities markets, with express mention of the internal control systems, verification of compliance and monitoring through internal audit and, when applicable, on the accounting criteria applied.

To inform the Board of any change in the accounting criteria and the risks either on or off the balance sheet.

To report to the General Meeting of Shareholders on matters questioned by shareholders, and which fall within its powers.

To advise the Board of Directors to propose the appointment of the external financial auditors to the General Meeting of Shareholders.

To monitor the internal audit services. The Committee will have full access to the internal audit and will report on the process of selection, appointment, renewal and cessation of the internal audit director, monitoring the director's remunerations and reporting on the department's budget.

To study the financial reporting process and the Company's internal control systems. To liaise with the external auditors in order to obtain information on any matters that could jeopardize their independence and on any other matters that may be in relation to the financial auditing process.

To summon Board members deemed appropriate to its meetings to provide any information whatsoever until the Audit Committee is satisfied.

To prepare an annual report on the activities on the Audit Committee to be included within the management report.

The same procedure applies to financial analysts, investment banks and rating agencies, including their selection under conditions of competence, confidentiality, and non-interference in other departments.

**B.1.36 Indicate whether the company changed its external auditor during the financial year. If so, identify the incoming and outgoing auditors:**

No.

**In the event of disagreements with the outgoing auditor, please provide details:**

No.

**B.1.37 Indicate whether the audit firm carries out other, non-audit work for the company and/or its business group. If so, state the total fees paid for such work and the percentage this represents of the fees billed to the company and/or its business group:**

	Company	Group	Total
Fees for non-audit work (thousand Euros)	1.224	1.132	2.356
Fees for non-audit work/total amount invoiced by the audit firm (%)	57,60%	24,82%	35,23%

**B.1.38 Indicate whether the audit report of the annual accounts for the previous financial year contains reservations or qualifications. If so, detail the reasons given by the Chairman of the Audit Committee to explain the content and scope of such reservations or qualifications.**

Not applicable.

**B.1.39 State the number of consecutive years during which the current audit firm has been auditing the annual accounts of the company and/or its business group. Likewise, indicate how many years the current audit firm has been auditing the accounts as a percentage of the total number of years over which the annual accounts have been audited:**

Number of consecutive years	Company	Group
Nº of years audited by current firm	21	21
nº of years over which the company has been audited (%)	100	100

**B.1.40 Indicate any equity holdings held by company Board members in the capital of entities engaged in the same, analogous or complementary type of business to that which constitutes the corporate purpose of either the company or its business group, insofar as these have been communicated to the company. Likewise indicate the positions or functions they exercise within such companies:**

None.

**B.1.41 Indicate whether there is a procedure whereby directors may seek**

**external consultancy.****If so, provide details:**

The secretary to the Board of Directors exercises the functions legally attributed to that position. Currently, the office of secretary and legal consultant are vested in the same person, who is responsible for ensuring that meetings are validly convened and that resolutions are validly adopted on the Board. In particular, he advises board members on the legality of the deliberations and motions put forward and on compliance with the Internal Corporate Governance Regulations. He therefore guarantees the principle of formal and material legality, which governs the actions of the Board of Directors. The Secretary's Office to the Board of Directors, as a specialized body set up to ensure the formal and material legality of the Board's conduct, has the full support of the latter to carry out its functions with complete independence of criteria and stability. It is likewise responsible for monitoring compliance with the internal regulations on corporate governance. Acting on its own initiative or upon the request of board members, it provides the necessary external consultancy to ensure the Board is kept duly informed.

The Board of Directors has access to external, legal or technical consultancy, according to its needs, which may or may not be arbitrated through the Board secretary. The second paragraph of Article 19 of the Regulations of the Board of Directors sets forth that:

"Likewise, through the chairman of the Board of Directors, the board members shall be empowered to propose to the Board of Directors, by majority, the hiring of legal, accounting, technical, financial, commercial consultants or consultants of any other nature deemed necessary in the interests of the Company for the purpose of providing assistance in the exercise of their duties in dealing with specific problems of certain magnitude and complexity linked with the exercise of such duties."

**B.1.42 Indicate whether there is a procedure whereby directors can obtain the information needed to prepare for meetings of the governing bodies sufficiently in advance:**

Yes.

**Details of the procedure:**

Remitting of documents and/or making them available at the Board headquarters in advance of Board Meetings.

Also, in compliance with the stipulations in recommendations 24 and 25 of the Unified Code of Good Governance, a handbook of internal basic rules and regulations applicable to the functions and responsibilities of the board member was created to be given to each new board member appointed, to provide vast knowledge of the company and its internal rules. Mr. Ricardo Martínez Rico received a copy of said handbook upon appointment.

**B.1.43 Indicate whether the company has established rules that oblige directors to report and, where appropriate, resign in cases wherein the image and reputation of the company may be damaged.**

Yes.

**Explain the rules**

Art. 13 of the board Regulations: Board members must offer to resign and, if the Board of Directors considers it appropriate, formalize said resignation in the following cases: When they fall within any of the grounds for incompatibility or prohibition as prescribed by the applicable law.

Section (p) of Article 14.2 of the same Regulation also establishes the obligation of the board members to inform the company of all legal and administrative or whatsoever other kinds of claims which, due to their magnitude, may severely affect the reputation of the company.

**B.1.44 Indicate whether any member of the Board of Directors has informed the company that s/he has been sentenced or formally accused of any of the offences stipulated in Article 124 of the Spanish Corporations Act (Ley de Sociedades Anónimas):**

Not applicable.

**Indicate whether the Board of Directors has analyzed the case. If so, explain the decision taken regarding whether or not the director should remain in his/her post, giving reasons.**

Not applicable.

**B.2 Committees attached to the Board of Directors**

**B.2.1. List all the committees of the Board of Directors and the members thereof:**

**a) Audit Committee**

Name	Position	Type
Prof. Carlos Sebastián Gascón	Chairman	Independent
Mr. José Joaquín Abaurre Llorente	Member	Proprietary
Mr. José B. Terceiro	Member	Executive
Prof. Mercedes Gracia Díez	Member	Independent
Mrs. Alicia Velarde Valiente	Member	Independent

**b) Appointments and Remuneration Committee**

Name	Position	Type
Prof. Mercedes Gracia Díez	Chairman	Independent
Mr. José Luis Aya Abaurre	Member	Proprietary
Prof. José B. Terceiro	Member	Executive
Mrs. Alicia Velarde Valiente	Member	Independent
Prof. Carlos Sebastián Gascón	Member	Independent

**B.2.2 Indicate whether the following functions are vested in the Audit Committee:**

**Monitoring the preparation process and the integrity of the financial information on the company and, where applicable, the group, verifying compliance with legal requirements, proper delimitation of the scope of consolidation and the correct application of accounting criteria.**

Yes.

**Frequently assessing the internal control and risk management systems, so that the main risks are adequately identified, managed and made known.**



Yes.

**Ensuring the independence and efficacy of the internal audit; proposing the selection, appointment, reappointment and removal of the head of the internal audit service; proposing the budget for such service; receiving frequent information on its activities; and checking that the senior management takes the conclusions and recommendations of its reports into account.**

Yes.

**Establishing and overseeing a mechanism that enables employees to communicate - confidentially and, when considered appropriate, anonymously - any possible irregularities they may observe within the company, especially those of financial and accounting.**

Yes.

**Presenting the Board of Directors with proposals for the selection, appointment, reappointment and replacement of the external auditor, as well as the conditions under which it is contracted.**

Yes.

**Regularly receiving information from the external auditor, on the audit plan and the results of its implementation, and checking that the senior management takes its recommendations into account.**

Yes.

**Ensuring the independence of the external auditor**

Yes.

**In the case of groups, helping to ensure that the group auditor also conducts the audits for individual group companies.**

Yes.

**B.2.3 Describe the rules governing the organization, function and responsibilities of each of the Committees attached to the Board of Directors.**

**1st Appointments and Remunerations Committee**

**Brief description**

The Appointments and Remunerations Committee is composed of a majority of non-executive directors, thereby fulfilling the requirements established in the Financial System Reforms Act (Ley de Reforma del Sistema Financiero). Likewise, in accordance with the provisions in Article 2 of its Internal Regulations, the position of Chairman of the Committee must be held by a non-executive board member.

Functions

The following are the duties and competencies of the Appointments and Remunerations Committee:

1. To report to the Board of Directors on appointments, re-elections, cessations and remunerations of the Board and its posts, as well as the general policy of remunerations and incentives for Board members and for the senior management.
2. To issue prior reports on all proposals that the Board of Directors have to present to the General Meeting of Shareholders on the appointment or removal of directors, even in cases of co-optation by the Board itself; to annually verify the continuous compliance with the requirements governing appointments and nature or type of directors, and to include all of this information in the Annual Report issued. The Appointments Committee shall ensure that the selection procedures for filling in vacancies do not suffer from implicit biases that may hinder the inclusion of females meeting the required profile into the potential candidates thus preventing the selection of female directors.
3. To prepare an annual report on the activities of the Appointments and Remunerations Committee, to be included in the management report.

#### Organization and function

The Appointments and Remunerations Committee will meet as often as necessary to perform its functions, but at least once every six months.

A quorum is deemed to exist when the majority of its members are present. Proxies may only be granted to non-executive directors.

The Committee shall meet on the occasions necessary to fulfil its functions and, at least, once a quarter. In 2011 it met on four occasions.

The resolutions adopted shall be valid when the majority of the members of the Committee, present or represented by proxy, vote in favour. Situations of tie shall be resolved by Chairman's vote.

### 2nd Audit Committee

#### Brief description

The Audit Committee is comprised of a majority of non-executive directors, thereby fulfilling the requirements established in the good governance regulations and, especially, in the Financial System Reforms Act. Likewise, in accordance with the provisions of Article 2 of its Internal Regulations, the office of Chairman of the Committee must be held by a non-executive director.

#### Functions

The Audit Committee is entrusted with the following functions and responsibilities:

1. To report on the Annual Accounts, as well as on the quarterly and half-yearly financial statements that must be issued to the regulatory or supervisory bodies of the securities markets, with express mention of the internal control systems, verification of compliance and monitoring through internal audit and, when applicable, on the accounting criteria applied.
2. To inform the Board of any change in the accounting criteria, and any risks either on or off the balance sheet.
3. To report to the General Meeting of Shareholders on matters questioned by shareholders, and which fall within its powers.
4. To advise the Board of Directors to propose the appointment of the external financial auditors to the General Meeting of Shareholders.

5. To monitor the internal audit services. The Committee will have full access to the internal audit and will report on the process of selection, appointment, renewal and cessation of the internal audit director, monitoring the director's remunerations and reporting on the department's budget.
6. To study the financial reporting process and the Company's internal control systems.
7. To liaise with the external auditors in order to obtain information on any matters that could jeopardize their independence and on any other matters that may be in relation to the financial auditing process.
8. To summon any Board members it deems appropriate to its meetings to issue reports until said Audit Committee is satisfied.
9. To prepare annual reports on the activities of the Audit Committee to be included in the Management Report.

#### Organization and function

The Audit Committee will meet as often as necessary to perform its functions, and at least once every quarter. In 2011 it met on five occasions.

The Audit Committee is considered validly constituted when the majority of its members are present. Proxies may only be granted to non-executive directors.

#### **B.2.4 Indicate the powers of each committee with regard to consultancy, consultation and, where applicable, delegation:**

##### 1ºAppointments and Remuneration Committee

###### Brief Description

To report to the Board of Directors on appointments, reappointments, cessations and remunerations of the Board and its posts, as well as the general policy of remunerations and incentives for Board members and for the senior management. To report, in advance, on all proposals that the Board of Directors presents to the General Shareholders' Meeting regarding the appointment or cessation of directors, even in cases of co-optation by the Board of Directors itself; to verify, on an annual basis, continuing compliance with the requirements for appointments of directors and the relevant nature or type of director. This information must be included in the annual report. The Appointments Committee will ensure that, when vacancies are filled, the selection procedures do not suffer from implicit biases that hinder the selection of female directors and that women meeting the required profile are included among the potential candidates. Likewise, to prepare an annual report on the activities of the Appointments and Remuneration Committee to be included in the Management Report.

##### 2ºAudit Committee

###### Brief Description

To report on the annual accounts, as well as the quarterly and half-yearly financial statements. To inform the Board of any change in the accountancy criteria, or any risks either on or off the balance sheet. To report at the General Shareholders' Meeting on those matters requested 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.

03

Annual Corporate Governance Report

**B.2.5 Indicate, where applicable, the existence of regulations governing the committees attached to the Board, the place where they are available for consultation and any amendments that may have been made during the financial year. Likewise indicate whether an annual report on the activities of each committee has been voluntarily prepared.**

1º Audit Committee and Appointments and Remuneration Committee

Brief description

The Regulations of the Audit Committee and the Regulations of the Appointments and Remuneration Committee are both available from the company’s website and also from the CNMV (Spanish Securities and Exchange Commission). Most recent amendment: October 24 2011. Each Committee prepares an annual report on activities, which is published as part of the Annual Report.

**B.2.6 Indicate whether the composition of the Executive Committee reflects the participation on the Board of the different categories of directors:**

Not applicable – there is no Executive Committee.

**If not, explain the composition of the executive committee**

There is no Executive Committee

**C. Related-party transactions**

C.1 Indicate whether the Board, sitting in plenary session, has reserved for itself the function of approving, following a favourable report from the Audit Committee or any other body entrusted with such task, transactions that the company performs with directors, with significant shareholders or shareholders represented on the Board, or with related parties:

Yes.

C.2 Give details of any relevant transactions involving a transfer of assets or liabilities between the company or group entities and significant shareholders in the company:

Not applicable.

C.3 Provide details of any relevant transactions involving a transfer of assets or liabilities between the company or Group entities and the company’s managers or directors:

Personal or corporate name of manager or director	Name of group company or entity	Nature of operation	Type of operation	Amount (thousand of Euros)
Barinas Gestión y Asesoría (associate company of Aplicaciones Digitales S.L.)	Bioetanol Galicia, S.A.	Economic consultancy services	Consultancy	90

C.4 Provide details of relevant transactions carried out by the company with other companies belonging to the same group, provided they are not eliminated during the process of preparing the consolidated financial statements and do not form part of the normal business of the company in terms of their subject and applicable terms and conditions:

Not applicable.

C.5 Indicate whether the members of the Board of Directors have, over the course of the financial year, found themselves embroiled in any conflict of interest, in accordance with that set forth in article 127 ter. of the Spanish Corporations Act (Ley de Sociedades Anónimas).

No.

C.6 Provide details of any mechanisms in place to detect, determine and resolve possible conflicts of interest between the company and/or its group and its Board members, executives or significant shareholders.

The Audit Committee is the body responsible for monitoring and resolving conflicts of interest. In accordance with the provisions of the Board of Directors' Regulations, Directors are obliged to inform the Board of any situation of potential conflict, in advance, and to abstain until the Committee has reached a decision.

C.7 Is more than one company listed in Spain?

No.

**Identify any subsidiaries that are listed:**

Not applicable.

**Indicate whether the respective business lines and possible business relations among such companies have been publicly and precisely defined, as well as those of the listed subsidiary with the other group companies:**

Not applicable.

**Define any business relations between the parent company and the listed subsidiary company, and between the latter and the other group companies:**

Not applicable.

**Identify the mechanisms envisaged to resolve any conflicts of interest between the listed subsidiary and the other group companies:**

**Mechanisms to resolve possible conflicts of interest**

Intra-group operations that may pose a conflict of interest and the transfer price policy are all analyzed by the Audit Committee.

**D. Risk control systems**

D.1 General description of the Risk Policy of the Company and/or its Group, detailing and evaluating the risks covered by the system, together with an explanation of why these systems are appropriate for each type of risk.

The structure of the Abengoa Risk Management is based on three significant pillars:

- The Common Management Systems, which serve to mitigate business risks
- Internal control procedures based on the SOX (Sarbanes-Oxley Act) requirements designed to mitigate risks linked with the reliability of financial information.
- Abengoa’s Universal Risks Model, a methodology that quantifies the risk in the internal control procedures in relation with the preparation of financial information . This tool is used to help us manage, identify, mitigate and monitor the risks involved in the business.

These two elements form an integrated system that allows the appropriate risk management and control at all the levels of the organization.

This is a live system that is subject to continuous modifications and improvements to keep in line with the reality of business.

There are also internal auditing services in charge of ensuring the compliance with and the good functioning of these systems.

**I) Business Risks:**

Procedures geared towards eliminating business risks are engineered and set in motion through what is referred to as “Common Management Systems” (CMS). The Common Management Systems of Abengoa develop the internal rules by which Abengoa is governed, and define the manner in which all risks are assessed and controlled. In addition to permitting the company to share its accumulated knowledge and to setting the criteria and patterns of action, said systems represent a common culture in the management of Abengoa’s business.

The CMSs serve to identify both the risks embedded in the current model as well as the activities of control put in place to mitigate such risks, thus drastically reducing any risks (business risks) inherent in the Company’s activity, at all possible levels.

The CMSs define certain specific procedures designed to cover any action that may entail a risk for the organization, whether economic or otherwise.

The Systems cover the whole organization at three levels:

- All Business Units and Areas of Activity
- All levels of responsibility
- All types of operations

Compliance with the regulations set forth in the Common Management Systems is compulsory for the whole organization, which is why all its members are bound to be familiar with them. Any exceptions to said compliance with said systems must be reported to the person in charge and must be conveniently authorized through the relevant authorization forms.

Besides, they are constantly undergoing updates that permit the incorporation of good practices to each of the fields of action. To facilitate their spreading, successive updates are immediately communicated to the organization through IT media.

**II) Risks in relation to the reliability of financial information:**

In 2004 Abengoa started a process of adjusting its internal control structure on financial information to fit the requirements set forth by Section 404 of the SOX Act. Said adjustment process ended in 2007, although it is still being implemented in the new company acquisitions which occur each year.

As a result of our commitment to transparency, in order to continue to ensure the reliability of the financial reporting prepared by the company, we have continued to reinforce our internal control structure, adapting it to the requirements established in section 404 of the United States Sarbanes-Oxley Act (SOX). For a further year, we have wished to voluntarily submit the internal control system of the whole group to an independent evaluation process conducted by external auditors under the PCAOB (Public Company Accounting Oversight Board) audit standards.

SOX is a compulsory law for all companies listed in the United States and is intended to ensure the reliability of the financial reporting of these companies and to protect the interests of their shareholders and investors by setting up an appropriate internal control system. This way, and even though none of the Business Units are under obligation to comply with the SOX Law, Abengoa believes it is best for all its companies to comply with said requirements, since said rules complete the risks control model that the company uses.

An appropriate internal control system can be put in place using three tools:

- A description of the company's relevant processes that may bear a potential impact on the financial report being prepared. So far 41 Management Processes (MPs) have been identified and grouped into Corporate Cycles and Cycles Common to the Business Groups.
- A series of flow charts that provide a visual description of the processes.
- An inventory of the control activities (460 controls, 214 of them being automatic) in each process that ensures attainment of the control objectives.

The 2011 financial year saw the introduction of the SAP GRC Process Control module. GRC Process Control provides a technological solution that allows the automation of the continuous internal control and performance monitoring model, facilitating its performance and increasing security in the company's operations.

Below are the benefits derived from the introduction of the GRC Process Control:

- Automation of the Continuous (Internal) Control Monitoring. Obtaining automatic reports and balanced scorecards on the internal control framework and regulations
- Integration of internal control into business processes.
- Level of automation of auditing for automatic controls.
- Centralization of documentation and internal control management processes. (Sole repository of information)
- Usage of standard workflows for the entire life-cycle of a control, bearing the regulation in mind, as in the case of SOX.
- Increase of the efficiency of internal control model, by reducing performance cost and increasing its effectiveness.
- Increasing confidence in the effectiveness of controls.
- Improving the performance follow-up.

### III) Universal Risks Model

Abengoa manages its risks through a model aimed at identifying the potential risks of a business. This model considers 4 important areas that are subdivided into 20 categories of risks, which proposes more than 86 potential risks of a business.

Our model envisages the following areas and categories of risks:

- Strategic risks: corporate governance, strategic and R+D+i projects, mergers, acquisitions and divestitures, planning and assignment of resources, market dynamics, communication and relation with investors
- Operational risks: human resources, information technologies, physical assets, sales, supply chain, threats or catastrophes.
- Financial risks: cash flow and credit, markets, taxation, capital structure, accounting and reporting.
- Legal risks: regulations, laws and codes of ethics and of conduct.

The 2011 financial year saw the culmination of the introduction of Archer eGRC, a technology solution that allows the automation of the process of identification, evaluation, response, monitoring and reporting of risks making up the Universal Risks Model for safeguarding all activities and sectors in which Abengoa operates.

### IV) Risks factors

The Risks Factors of Abengoa are identified in Schedule 1 of the Securities Registration Document published in the CNMV on June 30, 2011.

#### 1. Specific risks factors of issuer or of its activity sector.

##### 1.1. General risks

- Abengoa operates in a sector of activity especially linked with the economic cycle.
  - Risk derived from depending on the regulations in support of activities relating to renewable energy, bioethanol production and also research- and development-related activities.
  - Solar power generation.
  - Biofuel consumption.
  - Risks derived from the sensitivity entailed in the supply of raw materials for biofuel production and the volatility of the price of the final product.
  - Risks derived from the sensitivity entailed in the supply of raw materials for recycling activities and the volatility of the price of the final product.
  - Risks derived from delays and cost overruns in activities of Engineering and Construction due to the technical difficulties of the projects and the lengthy duration of their execution.
  - Risks linked to the activities of concession-type of Infrastructural projects operating under regulated tariffs or extremely long-term licences agreements.
  - Incomes obtained from long-term agreements: risks derived from the existence of clauses and/or renewal of licence agreements processed by Abengoa, termination of pending Engineering and Construction projects and non-renewals of biofuel distribution agreements.
- I. Concessions
- II. Biofuel distribution agreements
- III. Backlog of projects in the activities of Engineering and Construction.
- The variations in the cost of energy may bear negative impact on the Company results.
  - Risks derived from the development, construction and exploitation of new projects.
  - Abengoa's activities may be negatively affected in the event that public support for such activities diminishes.



- Construction projects regarding the Engineering and Construction activities and the facilities of Concession-type Infrastructural and Industrial Production activities are dangerous places of work.
- Risks derived from joining hands with third parties for the execution of certain projects.

**1.2. Specific risks of Abengoa**

- Abengoa operates with enormous levels of indebtedness.
- Risks derived from the demand for capital intensive investments in fixed assets (CAPEX), which increases the need for external financing for the execution of pending projects.
- The renewable energy sector products and services are part of a market subject to intensive conditions of competition.
- The results of the Engineering and Construction activity depend significantly on the growth of the Company in the Concession-type Infrastructural and Industrial Production activities.
- Fluctuations in the interest rates and its coverage may affect the results of the Company.
- Fluctuations in the currency exchange rates and its coverage may affect the results of the Company.
- Country and Internationalization risks.
- Abengoa’s activities fall under multiple jurisdictions with various degrees of legal demands requiring the Company to undertake significant efforts to ensure its compliance with them.
- The activities of the Company may be negatively affected by natural catastrophes, extreme climate conditions, unexpected geological conditions or other physical kind1s of conditions, as well as by terrorist acts perpetrated in some of its locations.
- Insurance coverage underwritten by Abengoa may be insufficient to cover the risks entailed in the projects, and the costs of the insurance premiums may rise.
- Abengoa’s business may undergo deterioration if it is not able to retain its top management personnel and key employees, or attract and retain other highly qualified employees.
- Reduction of future incomes, benefits and debts from variations in the Company consolidation perimeter (Telvent GIT, S.A. and its affiliates and the Brazilian transmission lines: NTE, STE, ATE, ATE II and ATE III):
- The tax practices and the product alteration product alteration on the Brazilian fuel distributions market may distort the market prices.
- The company has a controlling shareholder.

**V) Other existing tools**

The company has a Corporate Social Responsibility master plan that involves all the areas and is implemented in the five business units, adapting the CSR strategy to the social reality of the various communities in which Abengoa is present. Corporate Social Responsibility, understood as the integration of the Expectations of interest groups into the Company’s strategy, the respect for the Law and the consistency with international standards of action, is one of the pillars of the Abengoa culture. The company informs its interest groups on the performance in the various CSR matters through a report that is based on the GRI standard for preparing sustainability reports. This report will be externally verified as part of the company’s commitment to transparency and rigour.

In 2002 Abengoa signed the United Nations World Pact, an international initiative aimed at achieving the voluntary commitment of entities regarding social responsibility, by way of implementing ten principles based on human, labour and environmental rights and on the fight against corruption. Also, in 2008, the company signed the Caring for Climate initiative, also from the United Nations. Consequently, Abengoa put in motion a system of reporting

on greenhouse gas (GHG) emissions which would permit it to register its greenhouse gas emissions, know the traceability of all its supplies and certify its products and services.

In 2009, the company developed a system of environmental sustainability indicators that would contribute to improving the management of the company's business, thus permitting the sustainability of its activities to be measured and compared, and establishing improvement objectives for the future. The combination of both initiatives has situated Abengoa at the helm of world leadership in sustainability management.

**VI) Criminal liability risks**

The enactment of Organic Law 5/2010 forced Abengoa to develop a system for risks management and internal control, and a system for verifying compliance with the legal standards to ensure that possible criminal liability risks are minimized, putting in place measures aimed at prevention, detection and investigation.

D.2. Indicate whether some of the various kinds of risks (operational, technological, financial, legal, reputational, tax-related...) that may affect the company and/or its group emerged during the financial year.

No.

**If so, indicate the circumstances that led to such risks and whether the established control system worked.**

D.3 Indicate whether there is a committee or other governing body responsible for establishing and supervising these control devices.

**If so, outline its functions.**

**Name of the committee or body**

Audits Committee.

**Description of functions**

To inform the Board of any changes in the accounting criteria and of any risks whether or not in the balance sheets.

The Audit Committee's functions include the "supervision of the internal audit service" and "obtaining information on the financial reporting process, the internal control systems and on the risks for the company".

Below are the Audit Committee's main objectives regarding the internal control over the preparation of the financial reporting:

- To determine the risks of a possible material error in the financial reporting caused by fraud or possible fraud risk factors.
- To analyze the procedures for evaluating the efficiency of internal control in relation to financial reporting.
- To obtain information on the capacity of the internal controls over the processes affecting Abengoa and its Business Groups.
- To identify the material deficiencies and weaknesses in the internal control in relation to the financial reporting and the response capacity.

- To supervise and coordinate any significant changes made over the internal controls affecting the quarterly financial reporting.
- Performance of the quarterly processes of closing the financial statements and differences identified in relation to the processes performed at the year end.
- Implementing plans and monitoring for actions taken to correct the differences identified in the audits.
- Installing measures to identify and correct possible internal control weaknesses in relation to the financial reporting.
- Analyzing the procedures, activities and controls that seek to guarantee the reliability of the financial reporting and to prevent fraud.

#### D.4 Identification and description of the processes for complying with the different regulations that affect the company and/or its group.

Abengoa applies all the provisions decreed by the CNMV, which implies that Abengoa complies with the reference indicators included in the FIICS (Financial Information Internal Control System) document from the CNMV with maximum rigour from over five years.

Since 2007, Abengoa has voluntarily submitted 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).

##### I) External Auditing

The auditor of the individual and consolidated annual financial statements of Abengoa, S.A. is PricewaterhouseCoopers, which is also the Group's main auditor.

In the year 2011, 5 reports were issued by the external auditors and then integrated into the Annual Report:

Audit report on the Group's consolidated financial statements, as required by the Laws in vigour.

Voluntary audit report on internal audit compliance under PCAOB (Public Company Accounting Oversight Board) standards, as required under section 404 of the Sarbanes-Oxley Act (SOX).

Voluntary reasonable assurance verification report on the Corporate Governance Report, being the first Spanish listed company to obtain a report of this kind.

Voluntary reasonable assurance verification report on the Corporate Social Responsibility Report.

And voluntary verification report on the design of the Risk Management System in accordance with the ISO 31000 Standards and Specifications.

**E. General Shareholders’ Meeting**

E.1 Indicate and, where applicable, provide details of whether there are any differences between the required quorum for the General Shareholders’ Meeting and the quorum system set forth in the Spanish Corporations Act (Ley de Sociedades Anónimas, hereinafter LSA).

No.

% of quorum different from that established in art. 102 of the LSA for general matters	% of quorum different from that established in art. 103 of the LSA for special matters
n/a	n/a

E.2 Indicate and, where applicable, provide details of any differences with the system contemplated in the LSA for the adoption of corporate resolutions.

No.

**Describe how it is different from the system envisaged by the LSA.**

Not applicable.

E.3 List any rights held by shareholders in relation to the general meetings insofar as these are different to those established in the LSA.

The right to information, in accordance with applicable regulations; the right to receive the documents related to the General Shareholders’ Meeting free of charge; voting rights in proportion to their shareholding, subject to no maximum limit; rights of attendance as long as holding three hundred and seventy-five (375) class A shares or thirty-seven thousand five hundred (37,500) class B shares or a combination of both classes of shares with nominal values being equivalent to three hundred seventy-five Euros (€375); financial rights (to dividends, where applicable, and to the distribution of corporate assets); the right to be represented, to delegate votes, to pool shares and to pursue any legal causes of action to which the shareholder may be entitled.

E.4 Indicate, if applicable, any measures adopted to encourage participation by shareholders at general meetings.

The documents related to the meeting are sent to shareholders free of charge and are also published on the website at the time the meeting is convened. Votes may be delegated or cast remotely by filling out attendance cards in due time and form.

The Bylaws do not limit the maximum number of votes of a single shareholder and do not contain restrictions that make it difficult to assume control through the acquisition of company shares.

Proposed resolutions to be presented at the general meeting are published when the meeting is convened and are likewise included on the company's website and on that of the CNMV.

Items on the agenda deemed substantially independent are voted on separately at the General Shareholders' Meeting, such that shareholders can exercise their voting preferences separately, particularly in cases of appointments or ratifications of directors and amendments to the Bylaws.

The company allows for the splitting of votes so that financial intermediaries authorized to act as shareholders but who act on behalf of different clients can cast their votes in accordance with the individualized instructions of each client.

Each financial year, following notice to the Spanish Securities and Exchange Commission, presentations are offered to investors, analysts and to the general market, and then published on the Company's web page.

In compliance with article 528.2 of the Corporations Act, Abengoa approved the Regulations for the Electronic Shareholders' Forum to facilitate communication between shareholders in connection with the convening and holding of each Shareholder's General Assembly. Shareholders may send the following prior to each General Assembly:

- Proposals they wish to include as part of the agenda outlined in the General Meeting convocation.
- Requests for adherence to said proposals.
- Initiatives for acquiring the sufficient percentage for the exercise of a minority voting rights.
- Requests for voluntary representation.

E.5 Indicate whether the Chairman of the General Shareholders' Meeting coincides with the position of Chairman of the Board of Directors. Give details, where applicable, of any measures that may have been adopted in order to guarantee the independence and correct functioning of the General Meeting:

#### **Outline of the measures**

The Bylaws stipulate that the office of Chairman of the General Meeting shall be held by the Chairman or Vice-Chairman of the Board of Directors, as decided by the Board itself. In accordance with this, General Shareholders' Meetings are presided over by the Chairman of the Board of Directors.

The Regulations of the General Shareholders' Meeting, as approved at the General Meeting held on June 29, 2003, contain procedures regulating the call, function, exercise of rights and adoption of resolutions at general meetings, thereby establishing an accurate and binding framework for the staging of such meetings.

The General Shareholders' Meeting is generally attended by a notary public, who verifies fulfilment of the requirements necessary for its valid constitution and the adoption of resolutions, and who issues the corresponding minutes.

It is the responsibility of the Secretary to the Board (who, in accordance with the Bylaws and the Regulations of the General Shareholders' Meeting, acts as the secretary at the general meeting) to ensure compliance with legal requirements and those stipulated in the Bylaws

concerning the convening and staging of the meeting and the adoption of resolutions at the meeting.

E.6 Indicate, if applicable, any changes made during the financial year to the Regulations of the General Shareholders' Meeting.

No changes occurred.

E.7 Give details of attendance at general meetings held during the financial year to which this report refers.

Attendance Data					
Date of General Meeting	% of physical presence	% in representation	% of absentee voting		Total
10-04-2011	50.955%	18.396%	Electronic voting 0	Other 0	69.351%

E.8 Briefly indicate the resolutions adopted at the General Shareholders' Meetings held in the financial year to which this report refers and the percentage of votes with which each resolution was adopted.

Abengoa's Ordinary General Meeting of Shareholders was held on April 10, 2011 and in attendance was a total of 62,742,007 shares, about 69,351 % of the total equity, amounting to 476 shareholders (53 present and 423 represented) out of a total of 10,873 registered shareholders.

The decisions reached, all with the entire equity capital present and represented voting in favour, were as follows:

**First.** Presentation and adoption, as appropriate, of the annual financial statements and management report of the Company and the Consolidated Group for the 2010 financial year, and of the management and remuneration of the Board of Directors during the aforesaid period.

**Second.** Examination and approval, as the case may be, of the Proposal to Apply the 2010 Financial year Outcome.

**Approval of the following:**

1) 2010 financial year outcome distribution scheme, with dividends to be distributed from July 5, 2011 onwards:

Euros	
Profit and Loss Account Balance	111,117,766.56
Application:	
To Voluntary Reserves	93,023,830.56
To Dividend	18,093,936.00
Total	111,117,766.56

2) Mr. Felipe Benjumea Llorente, Mr. José B. Terceiro, Mr. Manuel Sánchez Ortega and the Secretary of the Board of Directors, Mr. Miguel Ángel Jiménez-Velasco Mazarío are hereby empowered such that either of them may register and deposit the Company's and the Consolidated Group's Financial Statement and Management Report at the Company Registry in accordance with the stipulations of the Law, marking them with their signatures and indicating their destination.

**Third.** Ratification, appointment and, as the case may be, re-selection of administrators

- On the proposal of the Appointments and Remunerations Committee, the following are hereby re-selected as Board Members for another period of four years, following the expiration of the mandate conferred upon them by the 2007 General Meeting of Shareholders.

Mr. Fernando Solís Martínez-Campos	Proprietary
Mr. Ignacio Solís Guardiola	Proprietary
Mrs. María Teresa Benjumea Llorente	Proprietary
Mr. Carlos Sundheim Losada	Proprietary
Aplicaciones Digitales, S.L. (represented by José B. Terceiro Lomba)	Executive

- To ratify the appointment of Manuel Sánchez Ortega as executive board member, appointed through co-optation by the Board of Directors on October 25, 2010, for a period of four years.

**Fourth.** Appointment or confirmation, as appropriate, of Auditors of the Company and the Consolidated Group for the 2011 financial year.

**Fifth.** Increase in corporate share capital by raising par value from 0.25 to 1 (one) Euro per share, charged against voluntary reserves and with reference to the following amendment to the text of Article 6 of the Articles of Incorporation.

**Sixth.** Amendment to the Articles of Incorporation for the purpose of including:

- a) amendments deriving from the capital increase by raising the par value of the shares mentioned in section Five above (Arts 6 and 21);
- b) the creation of different classes of shares to include the following: these ordinary shares shall be denominated Class A shares, with the same rights, par value of one (1) Euro and conferring one hundred (100) voting rights, and shall continue to constitute the Company's ordinary shares; Class B shares, with a par value of one cent (0.01) of a Euro conferring one (1) voting right and certain financial privileges set forth in the proposed amendment; Class C, without voting rights, par value of 1 (one) Euro and with the privileges and preferences set forth in the proposed amendment to the Articles of Incorporation (articles 6 and 8) .
- c) the amendments required to harmonize the Articles of Incorporation with the new share classes mentioned in subsection b) of section Six (articles 6 and 8);
- d) minor amendments updating legal references in the Articles of Incorporation in accordance with the Consolidated Text of the Capital Companies Act (articles 7, 15, 21, 22, 31, 33, 34, 37, 38, 50 and 53).

**Seventh.** A special report on Directorship Remuneration Policy for consultative deliberation by the Annual General Meeting. Report relating to aspects of the provisions of Article 116 bis of the Security Market Act.

**Eight.** Authorization of the Board of Directors to increase corporate capital under the provisions of article 297.1.b) to the full extent allowed by law, with express delegation of the power of exclusion of the right of preference in compliance with article 506 of the Capital Companies Act, rescinding and rendering null and void the amounts pending as a result of previous delegations conferred by the General Meeting.

**Ninth.** Authorization of the Board of Directors to issue debentures and other similar securities of fixed or variable income, ordinary or guaranteed, convertible to shares or not, with express delegation of the power of exclusion of the right of preference in compliance with article 511 of the Capital Companies Act, directly or through group companies in accordance with currently applicable legislation and rendering null and void the amounts pending as a result of previous delegations conferred by the General Meeting.

**Tenth.** Authorization of the Board of Directors for derivative acquisition of own equity, directly or through group companies in accordance with currently applicable legislation and rendering null and void the amounts pending as a result of previous delegations conferred with the same purpose by the General Meeting.

**Eleventh.** Delegation to the Board of Directors of the power to interpret, rectify, execute, legalize and register the agreements adopted.

**Twelfth.** Approval of the minutes by any procedure in accordance with the law.

E.9 Indicate whether there are any restrictions in the Bylaws establishing a minimum number of shares required to attend the General Shareholders' Meeting.

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E. 10 Indicate and explain the policies followed by the company with regard to the granting of proxies at General Shareholders' Meetings.

There are no specific policies, to the extent that there is no restriction on the exercise of the right to vote.

The only requirement is that the proxy be granted to another shareholder.

E.11 Indicate whether the company is aware of the policy of institutional investors regarding their participation in the company's decision-making process.

No.

E.12 Indicate the address and means of accessing corporate governance content on the company's website.

The Webpage of the Company, at [www.abengoa.com](http://www.abengoa.com), is regularly updated in both Spanish and English.

Said Webpage contains all the decisions taken at the last General Meeting meeting held on April 11, 2010. It also includes the complete call, the agenda and the decisions proposed for the Assembly to approve.

For convening subsequent assemblies, the Company will continue to update the available information to enable shareholders to exercise the right to information, and with it that to vote, under equal conditions.

Finally, with the established techniques and regulations determined, and with the safeguard of the legal security required, the rights to vote or to delegate via the Internet shall be guaranteed.

Pursuant to the Corporations Act, with regards to the meeting, a shareholders' electronic forum was created and made accessible to all the shareholders.



F. Degree to which corporate governance recommendations are followed

Indicate the degree to which the company follows the recommendations of the Unified Good Governance Code. If any of them are not complied with, explain the recommendations, regulations, practices or criteria that the company applies.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

See sections: A.9, B.1.22, B.1.23, E.1 and E.2

Compliant

2. When a parent and a subsidiary company are listed on the stock market, the two shall provide detailed disclosures on:

- a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;
- b) The mechanisms in place to resolve possible conflicts of interest.

See sections: C.4 and C.7

Compliant

3. Even when not expressly required under Commercial Law, any decisions involving a fundamental corporate change should be submitted to the general shareholders' meeting for approval or ratification, especially the following:

- a) The transformation of listed companies into holding companies through the process of subsidiarization, i.e. reallocating core activities previously carried out by the originating firm to subsidiaries, even though the former retains full control of the latter;
- b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;
- c) Operations that effectively add up to the company's liquidation.

Partially compliant

The company has not incorporated this regulation, on a non-mandatory basis, to its internal rules (Social Bylaws), which does not prevent compliance in practice with said Recommendation.

4. Detailed proposals of the resolutions to be adopted at the general shareholders' meeting, including the information stated in recommendation 28, should be made available at the same time as the publication of the meeting notice.

Compliant

5. Separate votes should be taken at the general shareholders' meeting on materially separate items, so shareholders can express their preferences in each case, in order for the shareholders to exercise their voting preferences separately. And that said rule is applied, particularly:

- a) The appointment or ratification of directors, with separate voting on each candidate;
- b) Amendments to the bylaws, with votes taken on all Articles or groups of Articles that are materially different.

See section: E.8

Compliant

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

**See section: E.4**

Compliant

7. The board of directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximise its value over time.

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Compliant

8. The board should see the core components of its mission as to approve the company's strategy and authorise the organisational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the board in full should reserve the right to approve:

- a) The company's general policies and strategies, and in particular:
  - i) The strategic or business plan, management targets and annual budgets;
  - ii) Investment and financing policy;
  - iii) Design of the structure of the corporate group;
  - iv) Corporate governance policy;
  - v) Corporate social responsibility policy;
  - vi) Remuneration and evaluation of senior officers;
  - vii) Risk control and management, and the frequent monitoring of internal information and control systems.
  - viii) Dividend policy, as well as the policy and limits applying to treasury stock.

**See sections: B.1.10., B.1.13., B.1.14 and D.3**

- b) The following decisions:
  - i) On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.

**See section: B.1.14**

- ii) Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions.

**See section: B.1.14**

- iii) The financial information that all listed companies must periodically disclose.
- iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the general shareholders' meeting;
- v) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Transactions which the company conducts with directors, significant shareholders, shareholders with board representation or other persons related thereto ("related-party transactions").

However, board authorisation need not be required for related-party transactions that simultaneously meet the following three conditions:

- 1st. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;
- 2nd. They go through at market rates, generally set by the person supplying the goods or services;
- 3rd. Their amount is no more than 1% of the company's annual revenues.

It is advisable that related-party transactions only be approved on the basis of a favourable report from the audit committee or some other committee handling the same function; and that the directors involved neither exercise nor delegate their votes, and withdraw from the meeting room while the board deliberates and votes.

Ideally the abovementioned powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the executive committee in urgent cases and later ratified by the full board.

**See sections: C.1 and C.6**

Compliant

9. In the interests of maximum effectiveness and participation, the board of directors should ideally comprise no fewer than five and no more than fifteen members.

**See section: B.1.1**

Compliant

10. External directors, proprietary and independent, should occupy an ample majority of board places, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

**See sections: A.2., A.3., B.1.3 and B.1.14**

Compliant

11. In the event that some external director is deemed neither proprietary nor independent, the company should disclose this circumstance and the links that person maintains with the company or its senior officers, or its shareholders.

**See section: B.1.3**

Not applicable

12. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the board by proprietary directors and the remainder of the company's capital.

This proportional criterion can be relaxed so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

- 1. In large capital companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.
- 2. In companies with a plurality of shareholders represented on the board but not otherwise related.

**See sections: B.1.3, A.2 and A.3**

Compliant

13. The number of independent directors should represent at least one third of all board members.

**See section: B.1.3**

Compliant

14. The condition of each director should be explained to the shareholders at general meeting of shareholders, which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's annual corporate governance report, after verification by the Appointments Committee. Said report should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

**See sections: B.1.3 and B.1.4**

Compliant

15. When women directors are few or non existent, the board should state the reasons for this situation and the measures taken to correct it; in particular, the Appointments Committee should take steps to ensure that:

- a) The process of filling board vacancies has no implicit bias against women candidates;
- b) The company makes a conscious effort to include women with the target profile among the candidates for board places.

**See sections: B.1.2, B.1.27 and B.2.3**

Compliant

16. The chairman, as the person responsible for the proper operation of the board, should ensure that directors are supplied with sufficient information in advance of board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive, along with the chairmen of the relevant board committees.

**See section: B.1.42**

Compliant

17. When a company's chairman is also its chief executive, an independent director should be empowered to request the calling of board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the board's evaluation of the chairman.

**See section: B.1.21**

Explanation

The Board of Directors currently comprises of fifteen members. The Regulations of the Board of Directors govern the composition, functions and internal organization of the governing body. Furthermore, the company has an Internal Code of Conduct in Stock Markets applicable to board members, the senior management and any other employees who may be affected by the terms thereof on account of their post or assigned duties. The Regulations of the General Shareholders' Meeting govern the formal aspects and internal system for staging shareholders' meetings. Lastly, the Board of Directors is assisted by its Audit Committee and the Appointments and Remuneration Committee, which both have their own respective Internal Regulations. All these rules and regulations are brought together in a consolidated text of the company's Internal Good Governance Codes, which is available from the company's website, [www.abengoa.com](http://www.abengoa.com). Since its inception, the Appointments and Remuneration Committee has been analyzing the structure of the company's governing body and has been working towards adapting it to assimilate

corporate governance recommendations, paying particular attention to the historic and special configuration of these bodies within Abengoa. In accordance with this analysis, in February 2007 the Committee recommended the creation of the post of coordinating director, coupled with the elimination of the Advisory Committee to the Board of Directors. The first measure was in order to incorporate the most recent corporate governance recommendations, as created in Spain in 2006, whereas the second was proposed because the Committee considered that the Advisory Committee had already fulfilled the function for which it was originally created and that its coexistence with the corporate bodies could lead to conflicts of power. Both proposals were approved at a meeting of the Board of Directors held in February 2007 and at the General Shareholders' Meeting held on April 15 of the same year appointing Mr. José B. Terceiro in representation of Aplicaciones Digitales S.L., as coordinating director, acting as independent, up to date.

On a final note, in October 2007 the Committee proposed to the Board that it accept the resignation of Mr. Javier Benjumea Llórente from his position as Vice-Chairman, with the consequent revocation of his delegated powers, and likewise accept the appointment of a new natural person to represent Abengoa and the Focus-Abengoa Foundation in those entities or companies in which they have an appointed position.

The Committee then considered it advisable to recommence its study on the number and characteristics of the Vice-Chairman of the Board of Directors within the current structure of governing bodies.

As a result of this, the Committee thought it necessary for the Vice-Chairman of Abengoa to have the powers conferred by the Spanish Corporations Act (Ley de Sociedades Anónimas) with regard to the organic representation of the company on the one hand, and, on the other, as a counterweight to the functions of the Chairman within the Board of Directors. On this basis, it considered that the coordinating director – with the functions assigned to that position by the resolutions of the Board of Directors (February 2007) and the General Shareholders' Meeting (April 2007) – was the ideal figure, given the corporate governance recommendations and the structure of the company, as well as the composition and diversity of its directors. The coordinating director has already been entrusted with the task of coordinating the concerns and motivations of the other Board members, and as such has the power to request that a Board meeting be convened and that new items be included on the agenda. In its role as the visible head of Board members' interests, it has, more de facto than de jure, a certain representative nature on the Board, and it therefore seemed appropriate to confirm and expand this representation by making the post both institutional and organic.

In view of the above, on December 10, 2007, the Board of Directors agreed to appoint Aplicaciones Digitales, S.L. (represented by Mr José B. Terceiro Lomba), the current coordinating director, as executive deputy chairman of the Board of Directors, with the unanimous consent of the independent directors for the company to continue acting as coordinating director in spite of its new appointment as executive deputy chairman.

In addition, and within the functions of organic representation (conferred by means of a power of attorney granted by the Board of Directors on July 23, 2007), the executive deputy chairman, jointly with the Chairman of the Board of Directors, has been put forward as the physical representative of Abengoa, in its capacity as the Chair of the Board of the Focus-Abengoa Foundation, as well as in any other foundations and institutions in which the company is or must be represented.

18. The secretary should take care to ensure that the board's actions:

- a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;
- b) Comply with the company bylaws and the regulations of the general shareholders' meeting, the board of directors and others;
- c) Conform with the good governance recommendations of the Unified Code that the company has subscribed to.

In order to safeguard the independence, impartiality and professionalism of the secretary, his or her appointment and removal should be proposed by the Appointments Committee and approved by a full board meeting; the relevant appointment and removal procedures being spelled out in the board’s regulation.

**See section: B.1.34**

Compliant

19. The board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

**See section: B.1.29**

Compliant

20. Director absences should be kept to the bare minimum and quantified in the annual corporate governance report. When directors have no choice but to delegate their vote, they should do so with instructions.

**See sections: B.1.28 and B.1.30**

Compliant

21. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company’s performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Compliant

22. The plenary session of the board should evaluate the following points on yearly basis:

- a) The quality and efficiency of the board’s operation;
- b) Starting from a report submitted by the Appointments Committee, how well the chairman and chief executive have carried out their duties;
- c) The performance of its committees on the basis of the reports furnished by them.

**See section: B.1.19**

Compliant

23. All directors should be able to exercise their right to receive any additional information they require on matters within the board’s competence. Unless the bylaws or board regulations indicate otherwise, such requests should be addressed to the chairman or secretary.

**See section: B.1.42**

Compliant

24. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company’s expense.

**See section: B.1.41**

Compliant

25. Companies should set up orientation programs that may provide new board members with quick and sufficient knowledge of the company and its corporate governance rules and regulations. Companies should make knowledge updating programs available to board members whenever the circumstances deem it advisable.

Compliant

26. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

- a) Directors should apprise the Appointments Committee of any other professional obligations, in case they might detract from the necessary dedication;
- b) Companies should enact rules and regulations governing the number of directorships their board members can hold.

**See sections: B.1.8, B.1.9 and B.1.17**

Partially compliant

Section (a) of this recommendation is complied with, in that the Appointments and Remuneration Committee is kept duly informed of the professional duties of Board members, as well as their potential needs with regards to any information they may need to exercise such duties. In relation to section (b), there are no limits on participation on other Boards, and this aspect is left to the responsible judgement of each director.

27. The proposal for the appointment or renewal of directors which the board submits to the general shareholders' meeting, including provisional appointments done through co-optation, should be approved by the board:

- a) On the proposal of the Appointments Committee, in the case of independent directors.
- b) Subject to a report from the Appointments Committee in all other cases.

**See section: B.1.2**

Compliant

28. Companies should post the following director particulars on their websites, and keep them permanently updated:

- a) Professional experience and background;
- b) Directorships held in other companies, listed or otherwise;
- c) An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with.
- d) The date of their first and subsequent appointments as a company director, and;
- e) Shares held in the company and any options on the same.

Compliant

29. Independent directors should not stay on as such for a continuous period of more than 12 years.

**See section: B.1.2**

Compliant

30. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlements to proprietary directors, the latter's number should be reduced accordingly.

**See sections: A.2., A.3 and B.1.2**

Compliant

31. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the board, based on a proposal from the Appointments Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds enumerated in section III.5 (Definitions) of this Code.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in recommendation 12.

**See sections: B.1.2, B.1.5 and B.1.26**

Compliant

32. Companies should establish rules obliging directors to inform the board of any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in Article 124 of the Spanish Companies Act (Ley de Sociedades Anónimas), the board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the annual corporate governance report.

**See sections: B.1.43 and B.1.44**

Compliant

33. All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation. The terms of this recommendation should also apply to the secretary of the board; director or otherwise.

Compliant

34. Directors who give up their position before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the annual corporate governance report.

**See section: B.1.5**

Compliant



35. The company's remuneration policy, as approved by its board of directors, should specify at least the following points:

- a) The amount of the fixed components, itemised where necessary, of board and board committee attendance fees, with an estimate of the fixed annual payment they give rise to;
- b) Variable components, in particular:
  - i) The types of directors they apply to, with an explanation of the relative weight of variable to fixed remuneration items.
  - ii) Performance evaluation criteria used to calculate entitlement to the award of shares or share options or any performance-related remuneration;
  - iii) The main parameters and grounds for any system of annual bonuses or other, non cash benefits; and
  - iv) An estimate of the sum total of variable payments arising from the remuneration policy proposed, as a function of degree of compliance with pre-set targets or benchmarks.
- c) The main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), with an estimate of their amount of annual equivalent cost.
- d) The conditions to apply to the contracts of executive directors exercising senior management functions, among them:
  - i) Duration;
  - ii) Notice periods; and
  - iii) Any other clauses covering hiring bonuses, as well as indemnities or 'golden parachutes' in the event of early termination of the contractual relation between company and executive director.

**See section: B.1.15**

Compliant

36. Remuneration comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of pension schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

**See sections: A.3 and B.1.3**

Compliant

37. External directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Compliant

38. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Compliant

39. In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

Compliant

40. The Board should submit a report on the directors' remuneration policy to the advisory vote of the general shareholders' meeting, as a separate point on the agenda. This report can be supplied to shareholders separately or in the manner each company sees fit.

The report will focus on the remuneration policy the board has approved for the current year with reference, as the case may be, to the policy planned for future years. It will address all the points referred to in recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. It will also identify and explain the most significant changes in remuneration policy with respect to the previous year, with a global summary of how the policy was applied over the period in question.

The role of the remuneration committee in designing the policy should be reported to the meeting, along with the identity of any external advisors engaged.

**See section: B.1.16**

Compliant

41. The notes to the annual accounts should list individual directors' remuneration in the year, including:

- a) A breakdown of the compensation obtained by each company director, to include where appropriate:
  - i) Participation and attendance fees and other fixed director payments;
  - ii) Additional compensation for acting as chairman or member of a board committee;
  - iii) Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;
  - iv) Contributions on the director's behalf to defined-contribution pension plans, or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;
  - v) Any severance packages agreed or paid;
  - vi) Any compensation they receive as directors of other companies in the group;
  - vii) The remuneration executive directors receive in respect of their senior management posts;
  - viii) Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be accounted a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the director.
- b) An individual breakdown of shares, share options or other share-based instruments awarded to directors, itemised by:
  - i) Number of shares or options awarded in the year, and the terms set for their execution;
  - ii) Number of options exercised in the year, specifying the number of shares involved and the exercise price;
  - iii) Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;
  - iv) Any change in the year in the exercise terms of previously awarded options.
- c) Information on the relation in the year between the remuneration obtained by executive directors and the company's profits, or some other measure of enterprise results.

Compliant

42. When the company has an executive committee, the breakdown of its members by director category should be similar to that of the board itself. The secretary of the board should also act as secretary to the executive committee.

**See sections: B.2.1 and B.2.6**

Not applicable

43. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Not applicable

44. In addition to the audit committee mandatory under the Securities Market Act (Ley del Mercado de Valores), the board of directors should form a committee, or two separate committees, of appointment and remuneration.

The rules governing the make-up and operation of the audit committee and the committee or committees of appointment and remuneration should be set forth in the board regulations, and include the following:

- a) The board of directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first board plenary following each meeting;
- b) These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the committees' invitation.
- c) Committees should be chaired by an independent director.
- d) They may engage external advisors, when they feel this is necessary for the discharge of their duties.
- e) Minutes of meetings should be recorded and a copy sent to all board members.

**See sections: B.2.1 and B.2.3**

Partially compliant

Barring section b) above, all requirements are duly met. We would refer you to Recommendation 54 as regards the presence of an executive director on the Appointments Committee. In relation to an executive director's presence on the Audit Committee, and in addition to the explanation provided under point B.1.21 above (independent director designated as coordinating director and subsequently appointed vice-chairman, who will remain as coordinating director following the unanimous consent of the remaining independent directors to such effect), we would add that their seat on the Audit Committee is due (leaving aside their knowledge and experience in matters of accounting and auditing) to the wishes of the independent directors, given that the executive director acts as a nexus between such independent directors (irrespective of whether they sit on such committees and particularly insofar as they don't) and the committee (and also the Appointments Committee).

45. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the audit committee, the Appointments Committee or, as the case may be, separate compliance or corporate governance committees.

Compliant

46. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Compliant

47. Listed companies should have an internal audit function, under the supervision of the audit committee, to ensure the proper operation of internal reporting and control systems.

Compliant

48. The head of internal audit should present an annual work programme to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Compliant

49. Control and risk management policy should specify at least:

- a) The different types of risk (operational, technological, financial, legal, reputational...) the company is exposed to, with the inclusion of contingent liabilities and other off-balance-sheet risks under financial or economic risks;
- b) The determination of the risk level the company sees as acceptable;
- c) Measures in place to mitigate the impact of risk events should they occur;
- d) The internal reporting and control systems put in place to control and manage the abovementioned risks, including contingent liabilities and off-balance-sheet risks.

**See section: D**

Compliant

50. The audit committee's role should be:

1. With respect to internal control and reporting systems:

- a) To supervise the preparation process and monitor the integrity of the financial information on the company and, if applicable, the group, and to verify compliance with regulatory requirements, the appropriate boundaries of the scope of consolidation and the correct application of accounting principles.
- b) Frequently review the systems for the internal monitoring and management of risks, so that the principal risks are identified, managed and properly disclosed.
- c) Monitor the independence and effectiveness of the internal audit function; propose the selection, appointment, re-appointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify whether senior management are acting on the findings and recommendations of its reports.
- d) Establish and supervise a mechanism whereby staff can confidentially and, if necessary, anonymously report, any irregularities, especially financial or accounting irregularities, they may detect in the course of their duties, with potentially serious implications for the firm.

2. With respect to the external auditor:

- a) To submit proposals to the Board for the selection, appointment, re-appointment and removal of the external auditor, and the terms and conditions of its engagement.
- b) To receive regular information from the external auditor on the progress and findings of the audit plan and to verify whether senior management are acting on its recommendations.
- c) Monitor the independence of the external auditor, to which end:
  - i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for such disagreement.
  - ii) The Committee should ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;
  - iii) The Committee should investigate the issues giving rise to the resignation of any external auditor.

- d) In the case of groups, the Committee urges the group auditor to take on the auditing of all component companies.

**See sections: B.1.35, B.2.2, B.2.3 and D.3**

Compliant

51. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant

52. The audit committee should prepare information on the following points from recommendation 8 for input to board decision-making:

- a) The financial information that all listed companies must periodically disclose. The committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.
- b) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
- c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

**See sections: B.2.2 and B.2.3**

Compliant

53. The board of directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account of their scope and content to shareholders.

**See section: B.1.38**

Compliant

54. The majority of Appointments Committee members – or Appointments and remuneration committee members as the case may be – should be independent directors.

**See section: B.2.1**

Compliant

55. The Appointments Committee should have the following functions in addition to those stated in earlier recommendations:

- a) Evaluate the balance of skills, knowledge and experience on the board, define the roles and capabilities required of the candidates to fill each vacancy, and decide on the time and dedication necessary for them to properly perform their duties.
- b) Appropriately examine or organise the succession of the chairman and chief executive, making recommendations to the board so the handover proceeds in a planned and orderly manner.
- c) Report on the senior officer appointments and removals which the chief executive proposes to the board.
- d) Report to the board on the gender diversity issues discussed in recommendation 14 of this code.

**See section: B.2.3**

Compliant

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56. The Appointments Committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

Any board member may suggest directorship candidates to the Appointments Committee for its consideration.

Compliant

57. The remuneration committee should have the following functions in addition to those stated in earlier recommendations:

- a) Make proposals to the board of directors regarding the following:
  - i) The remuneration policy for directors and senior officers;
  - ii) The individual remuneration and other contractual conditions of executive directors;
  - iii) The standard conditions for senior officer employment contracts.
- b) Oversee compliance with the remuneration policy set by the company.

**See sections: B.1.14 and B.2.3**

Compliant

58. The remuneration committee should hold consultations with the chairman and chief executive, especially on matters relating to executive directors and senior officers.

Compliant

**G. Other information of interest**

**If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report, indicate and explain below. Within this section, you may include any other information, clarification or detail related to the abovementioned sections of the report, to the extent that these are deemed relevant and not reiterative.**

**First annex:**

A table detailing the individual remuneration of directors is attached hereto as complementary information to section B.1.11 and following.

**Remuneration of directors - 2011  
(in thousand Euros)**

<b>Name</b>	<b>Allowances for board attendance and other remuneration as director</b>
Mr. Felipe Benjumea Llorente	93
Aplidig, S.L. (1)	180
Mr. Manuel Sánchez Ortega	93
Prof. Carlos Sebastián Gascón	166
Mr. Daniel Villalba Vilá (2)	100
Prof. Mercedes Gracia Díez	127
Mrs. Alicia Velarde Valiente	110
Prof. José Borrell Fontelles	200
Ricardo Martínez Rico	28
Mr. José Luis Aya Abaurre	110
Mr. José Joaquín Abaurre Llorente	110
Mrs. Maria Teresa Benjumea Llorente	78
Mr. Javier Benjumea Llorente	78
Mr. Ignacio Solís Guardiola	78
Mr. Fernando Solís Martínez-Campos	78
Mr. Carlos Sundhein Losada	78
<b>Total:</b>	<b>1,707</b>

<b>Name</b>	<b>Remuneration for membership of board committees</b>
Prof. Carlos Sebastián Gascón	110
Mr. Daniel Villalba Vilá (2)	72
Prof. Mercedes Gracia Díez	61
Mrs. Alicia Velarde Valiente	66
Prof. José Borrell Fontelles	100
Mr. José Luis Aya Abaurre	44
Mr. José Joaquín Abaurre Llorente	44
<b>Total:</b>	<b>497</b>

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<b>Name</b>	<b>Remuneration for directorships within other group companies</b>
Mr. Ricardo Martínez Rico	12
Prof. Carlos Sebastián Gascón	7
Mr. Daniel Villalba Vilá	9
Mrs. Maria Teresa Benjumea Llorente	24

**Total: 52**

<b>Name</b>	<b>Remuneration for senior management functions – executive directors</b>
Mr. Felipe Benjumea Llorente	3,804
Aplidig, S.L. (1)	2,804
Mr. Manuel Sánchez Ortega	3,024

**Total: 9.632**

<b>Name</b>	<b>Total remuneration</b>
Mr. Felipe Benjumea Llorente	4,483
Aplidig, S.L. (1)	2,984
Mr. Manuel Sánchez Ortega	3,703
Prof. Carlos Sebastián Gascón	283
Mr. Daniel Villalba Vilá (2)	181
Mercedes Gracia Díez	188
Mrs. Alicia Velarde Valiente	176
Prof. José Borrell Fontelles	300
Mr. Ricardo Martínez Rico (3)	40
Mr. José Luis Aya Abaurre	154
Mr. José Joaquín Abaurre Llorente	154
Mrs. Maria Teresa Benjumea Llorente	102
Mr. Javier Benjumea Llorente	255
Ignacio Solís Guardiola	78
Mr. Fernando Solís Martínez-Campos	78
Mr. Carlos Sundhein Losada	78

**Total: 13,237**

<b>Name</b>	<b>Other remuneration</b>
Mr. Javier Benjumea Llorente	177

(1) Represented by Prof. José B. Terceiro/Aplidig SL

(2) Since 25/07/2011

(3) From 24/10/2011

The increase in the number of Executive Board Members from two to three marks the conclusion of the increase of 48.3% in the total value of comparing the 2010 – 2011 salary scales for Board Members (€8.9 M for 2010 and €13.2 M for 2011).



**Second annex**

**International Advisory Board**

Abengoa on may 24,2010, created and International Advisory Board (IAB), and the Board of Directors as well as the chairman are responsible for its selection. The Secretary of the Board of Directors of Abengoa S.A acts as its Secretary.

The Advisory Board is a non-ruled voluntary body that renders technical and advisory consultancy services to the Board of Directors, to which it is organically and functionally subordinate, as consultant and strictly professional adviser. Its main function is to serve as support to the Board of Directors within the scope of it’s own competences, collaborating and advising, basically focusing its activities on responding to enquiries made by the Board of Directors in connection to all issues that the Board of Directors may enquire on or even raising proposals deemed outcome of their experience and analysis.

Its current composition is as follows:

<b>Name</b>	<b>Position</b>	<b>Type</b>
Mr. José Borell Fontelles	Chairperson	Independent
Mr. Kemal Dervis	Member	Independent
Mr. Jerson Kelman	Member	Independent
Mr. Mario Molina	Member	Independent
Lord Nicholas Stern	Member	Independent
Mrs. Pamposh Bhat	Member	Independent
Mr. Ricardo Hausmann	Member	Independent
Mr. Bill Richardson	Member	Independent
Lord Douro	Member	Independent
Mr. Álvaro Fernández - Villaverde y Silva	Member	Independent
Mr. Alberto Aza Arias	Member	Independent

**Third annex**

The Internal Code of Conduct in Stock Markets was instituted in August 1997 and it is applicable to all administrators, to the Strategy Committee members and to some employees depending on what they do and the information to which they may have access.

It establishes the obligation to safeguard the information and to protect the confidentiality of relevant facts prior to decision and publication, thus establishing the procedure for maintaining internal and external confidentiality, the ownership registration of shares, stock operations and conflicts of interests.

The Professional Code of Conduct was introduced in 2003, as a request from the Human Resources Management, and was modified in 2005 in order to add various elements that are common to the different companies that form Abengoa, bearing in mind their geographic, cultural and legal diversity. Said code gathers the fundamental values that must govern the actions of all the Company’s employees, regardless of their position or responsibility. The integrity of its behaviour, the strict observance of current legislation, its professional rigor, confidentiality and quality are part of Abengoa’s historical culture since it was set up in 1941 and still remain part of its corporate identity today.

The general secretary is responsible for follow-up and supervision. Available at [www.abengoa.com](http://www.abengoa.com).

#### Fourth Annex

Abengoa and its Business Units have been operating a whistleblower channel since 2007 pursuant to the requirements of the Sarbanes-Oxley Act, whereby interested parties may report possible irregularities, in accounting, auditing or internal controls of financial reporting, to the Audit Committee. A register is kept of all communications received in relation to the whistleblower, subject to the necessary guarantees of confidentiality, integrity and availability of the information. The Internal Audit team conducts an inquiry into each claim it receives.

In highly technical cases, 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.

#### Fifth Annex

Article 8 of Abengoa's Bylaws regulates the different rights inherent in Class A and B shares.

The following can therefore be summarized:

##### Class A Shares

At the nominal value of one Euro (1) each, and in the condition as ordinary shares, Class A Shares, ("Class A Shares") grant holders the rights established by Law and set forth in these Bylaws with the specifications outlined hereunder:

1. Voting Rights  
Each Class A Share grants its holder one hundred (100) votes.
2. Pre-emptive and free allocation rights over new shares
3. Notwithstanding the stipulations in section 2 above, each Class A Share grants all other rights, including economic rights, acknowledged by Law and set forth in these bylaws and in the rights entailed therein as holders of the condition of partner.

##### Class B Shares

Class B Shares, at a nominal value of one hundredth of a Euro (€0.01) each, ("Class B Shares" and, together with Class A Shares, "Shares with Voting Rights"), grant holders the rights established by Law and set forth in these Bylaws with the specifications outlined hereunder:

1. Voting Rights  
Each Class B Share grants its holder one (1) vote.
2. Pre-emptive and free allocation rights over new Class B shares with regards to the principle of proportionality between the number of shares and class A shares, those of Class B and those of class C (if already issued previously) over the total number of shares of the company, previously stated in relation to class A shares, the pre-emptive and free allocation rights of class B shares shall solely be aimed at class B shares (or convertible or exchangeable bonds or debentures, warrants or other securities and instruments that grant subscription or acquisition rights). Capital increases using reserves or premiums obtained from the issuance of shares executed by increasing the nominal value of the shares issued, as the case may be, Class B shares as a whole shall be entitled to nominal value increase in a proportion similar to the total nominal value of the Class B shares in circulation at the time of the execution of the agreement it represents with regards to the Company's stock capital represented by the class A shares and by the class B shares circulating at such time.

##### 3. Rights of Redemption for class B Shares

In the event that offers are tendered and accepted for the acquisition of the company's entire shares with voting rights, following which the offeror, together with the persons cooperating therewith, (i) manage to directly or indirectly acquire voting rights in the company amounting or equal to 30 percent, except if another person, individually or jointly together with the persons cooperating therewith, already held

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a percentage of voting rights equal to or above that of the offeror after the offer, or better still (ii) having acquired shareholding below 30 percent, appoints a number of board members who, united, as the case may be, with those already appointed previously, may represent more than half of the members of the Company's Administrative organ, each class B shares holder shall be entitled to a redemption by the company in accordance with Article 501 of the Corporations Act, except if the holders of the class B shares had already held the rights to participate in this offer and that such shares may have been acquired in the same manner and under the same terms and conditions and, whatever the case may be, for the same consideration as that of holders of class A shares (each offer that meets the characteristics described above, an "Apparent Redemption").

**Specifically, indicate whether the company is subject to non-Spanish legislation with regard to corporate governance and, if so, include the information it is obliged to provide and which is different from that required in this report.**

No

**List any Independent Directors who maintain, or have maintained in the past, a relationship with the company, its significant shareholders or managers, when the significance or importance thereof would dictate that the directors in question are not considered independent pursuant to the definition thereof set forth in section 5 of the Unified Good Governance Code:**

No

**Date and signature:**

This annual corporate governance report was approved by the company's Board of Directors at its meeting held on:

23/02/2011

**Indicate whether there were any directors who voted against or abstained in relation to the approval of this report.**

No

## Additional information that must be included in the Corporate Governance Annual Report pursuant to law 2/2011 of 4<sup>th</sup> March, of the Sustainable Economy act

### **1st Provide a list of securities not traded on the Community Stock Exchange, indicating, as the case may be, the various classes of shares and the rights and obligations inherent in each class of shares.**

Not applicable. Abengoa has not issued securities that may not be traded on the community stock exchange.

### **2nd Outline all the rules and regulations applicable to the modification of the company's bylaws.**

In compliance with the stipulations of Articles 285 and following of the Corporations Act, hereinafter, L.S.C, it remains the prerogative of the General Assembly of Abengoa to decide on any changes in the bylaws, except on the aspects over which competence is solely and legally reserved for the Board of Directors.

The internal rules and regulations of Abengoa include detailed regulations that govern the competence of the Assembly on the aspect of changes in the bylaws. Articles 8 and 30 of the bylaws of Abengoa address the competence of the General Assembly on matters regarding changes in the bylaws. Like Article 11 of the General Assembly Regulations, Article 30 of the bylaws establishes a special quorum:

"In order for the Ordinary or the Extraordinary General Assembly to decide, in general, on implementing any changes in the Corporate Bylaws, the attendance of shareholders in person or by proxy of at least fifty percent of the subscribe capital with voting rights shall be necessary in the first call. The second call shall only require the attendance of twenty-five percent said capital. In the event of the attendance of holders of less than twenty-five percent of the subscribed capital with voting rights, decisions may only be taken with the favourable votes of two thirds of the capital present or represented in the Assembly".

Article 8 of the Bylaws establish separate voting possibilities in cases of changes in the bylaws deemed detrimental to Class B or C shares; thus this would require, in addition to approval by a special quorum, approval by a majority of Class B shares if the intended changes may be detrimental to them or by the majority of Class C, then in circulation, if the intended changes may be detrimental to such kinds of shares.

### **3rd List any restrictions whatsoever on the transferability of securities and any restrictions on the voting rights.**

Abengoa has not imposed any kinds of restrictions on voting rights. Regarding the restrictions on the transferability of securities, see point A.10 of the IAGC.

### **4th Give an explanation on the powers of the members of the Board of Directors and, in particular, in relation to the possibility of issuing or repurchasing shares.**

See point B.1.6; B.1.21, E.8 of the IAGC.

### **5th Provide detailed information on significant agreements undersigned by the company becoming valid, whether modified or terminated if the control of the company changes through a hostile takeover bid, and its effects, except if revealing such information may be damaging to the company. This exception shall not be applicable if the company is under legal obligations to reveal such information.**

The eventuality has not arisen.

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**6th Give detailed information on the agreements signed between the company and its administrators and managers or employees with compensation rights in the event of resignation or unlawful dismissal or if work relationship is abruptly halted as a result of a hostile takeover bid.**

Abengoa is not party to specific agreements of this nature.

**7th Risks control systems in relation with the process of issuing financial information.**

See point B.1.32 and letter D of the IAGC.

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## Audit Committee Activity Report

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Audit  
Committee  
Activity  
Report

## Introduction

The Audit Committee 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 of the Financial System (Ley 44/2002) relating to Audit Committees. Abengoa also has a corporate governance system in place that remains compliant at all times with applicable law and best practices.

According to good governance practices, the Board of Directors must have a number of specialized Committees in place so as to ensure that it performs its duties effectively. This structure helps to diversify the workload, while allowing motions and resolutions on certain material issues to be heard first by a specialized and independent body with specific professional expertise, which can therefore filter accordingly and report on its decisions, the aim being to guarantee the required objectivity and ensure that motions are discussed thoroughly before being passed by the Board.

As an independent body, the Audit Committee is able to oversee the affairs of Abengoa companies, thus ensuring that they conduct their business ethically and responsibly. This duty is undoubtedly its main role at present and will continue to be so in the future.

The Audit Committee is essentially the nucleus of this drive towards responsibility, and leads by example by publishing its Audit Committee Business Report every year. Its duties, structure and rules of internal functioning are set forth in the Regulations of the Board of Directors and in its own internal regulations. Generally speaking, the Committee has been heavily involved since its inception in those areas that fall within its remit, as has been explained in the company's published annual reports and disclosures on corporate governance.

The 2011 Audit Committee Business Report details the activities and initiatives of the Committee in furtherance of the duties entrusted to it under its different fields of activity: review of economic and financial information subject to regulation, control of material risks, oversight of the management model, monitoring the independence of the financial auditor and appraising the business of the Internal Audit Division.

The Audit Committee business report for 2011 was approved at the Committee meeting held on January 17, 2012 and put before the Board of Directors on February 23, 2012. 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.

## Internal Regulations of the Audit Committee

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

### Composition and appointment of members

The Audit Committee 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.

### Chairman and secretary

The Audit Committee 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 Committee.

The powers and duties of the Audit Committee 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 Committee 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 Committee meetings, at its discretion, in order to report on any such matters the Audit Committee deems fit.
- To draw up an annual report on the activities of the Audit Committee, which must be published along with the annual accounts for the fiscal year.



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Audit  
Committee  
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### Meetings and announcement

The Audit Committee shall meet as often as required and, in any event, at least once a quarter in order to exercise and discharge its duties, as detailed in the previous section. As a general rule, meetings will be held at the company’s headquarters, although members may decide to hold a particular meeting elsewhere.

The Audit Committee will also meet when a meeting is convened by the Chairman acting on his or her own initiative or at the request of any Committee members. Members may also ask the Chairman to include certain items on the agenda for the next meeting. Notice of the meeting must be given in writing, including the agenda, no less than three days prior to the scheduled date. However, business can also be transacted at a meeting of the Audit Committee when all the members are present and agree to hold a meeting.

### Quorum

There will be a quorum present at meetings of the Audit Committee when the majority of its members are present. Members may only appoint a non-executive director as their proxy.

Resolutions will be carried by the majority vote of Committee members in attendance. In the event of a tie, the Chairman will have the casting vote.

## Composition, appointments and member profiles

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

Chairman	Prof. Carlos Sebastián Gascón	Independent, non-executive	February 23, 2009
Member	Mr. José Joaquín Abaurre Llorente	Shareholder representative, non-executive	February 24, 2003
Member	Prof. José B. Terceiro Lomba (*)	Executive	February 24, 2003
Member	Prof. Mercedes Gracia Díez	Independent, non-executive	December 12, 2005
Member	Mrs. Alicia Velarde Valiente	Independent, non-executive	February 23, 2011
Secretary	Mr. Miguel Ángel Jiménez-Velasco Mazarío	Non-member secretary	February 28, 2005

(\*) on behalf of Aplicaciones Digitales, S.L.

Note: on July 25, 2011, Mr.David Villalba Vilá stepped down from the Audit Committee owing to an increase in his other professional commitments.

#### Prof.Carlos Sebastián Gascón

Professor of the Fundamentals of Economic Analysis at the Universidad Complutense de Madrid since 1984. He studied at the Universities of Madrid and Essex (UK) and the London School of Economics. Apart from his academic career, he has been the Director General of Planning at the Spanish Ministry of the Treasury, director of the Applied Economics Studies Foundation (Fundación de Estudios de Economía Aplicada, or FEDEA), and an advisor and director of private companies. He is currently a director of Abengoa, S. A. and Gesif, S.A. He also was director of Abengoa Bioenergía, S.A. He is the author of a large number of articles and monographs on macroeconomics, the labor market, economic growth and institutional economics and has a regular column in the daily economic newspaper Cinco Días.

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Audit  
Committee  
Activity  
Report**Prof. José B. Terceiro Lomba**

Professor of Applied Economics at the Universidad Complutense de Madrid. He was director of the Prisa Group, Iberia Líneas Aéreas de España and Corporación Caixa Galicia. He was the Undersecretary to the Presidency of the Government (1981-1982) and has been awarded the CEOE Prize for Economics (Premio CEOE a las Ciencias Económicas) and the Rey Jaime I Prize for Economics.

**Mr. José Joaquín Abaurre Llorente**

Audiovisual technician.

**Prof. 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.

**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.

**Mr. Miguel Ángel Jiménez-Velasco Mazarío**

Miguel Angel holds a degree in law from the Universidad Autónoma de Barcelona (1989) and earned his master in company management and finance from the International Company Institute of Deusto University (Instituto Internacional de Empresas de la Universidad de Deusto) (1990-1991). He has been the legal manager of Abengoa since 1996 and was appointed Secretary and Advisory Lawyer to the Board of Directors in 2003.

## Meetings of the Audit Committee in 2011

The Audit Committee met on five occasions over the course of 2011, with all members in attendance at each meeting. These meetings, and the main issues discussed at them, are described below:

1. February 23, 2011 in Madrid
  - Economic information for fiscal year 2010.
  - Presentation of the external auditor on the conclusions of its audit engagement for fiscal year 2010.
  - Annual Corporate Governance Report for 2010.
  - Summary of the assessment performed by the company on internal control deficiencies relating to the Sarbanes-Oxley Act.
  - Summary of audit and external consulting fees for 2010.
2. March 28, 2011 in Madrid
  - Presentation and analysis of various investment operations.
3. May 9, 2011 in Madrid
  - Economic information on the first quarter of 2011.
  - Fees for consulting services in 2011.
4. August 29, 2011 in Madrid
  - Economic information on the first half of 2011.

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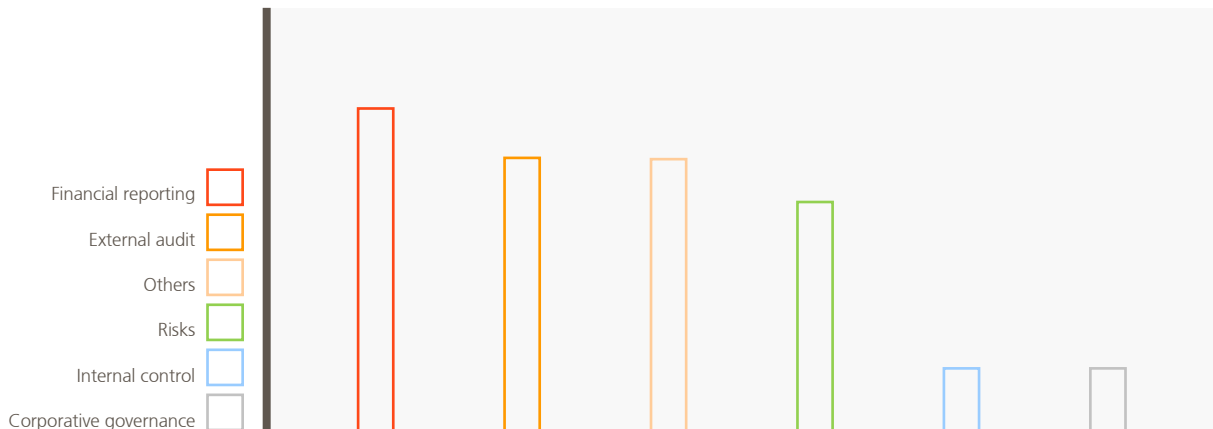
## Memoria de Actividades del Comité de Auditoría

- Main conclusions of the external auditors on the limited review as of June 30.
- External auditor's fees for 2011.
- Fees for consulting services in 2011.
- 5. November 14, 2011 in Madrid
- Economic information on the third quarter of 2011.
- Announcement of the external auditor selection process for 2012.
- Fees for consulting services in 2011.

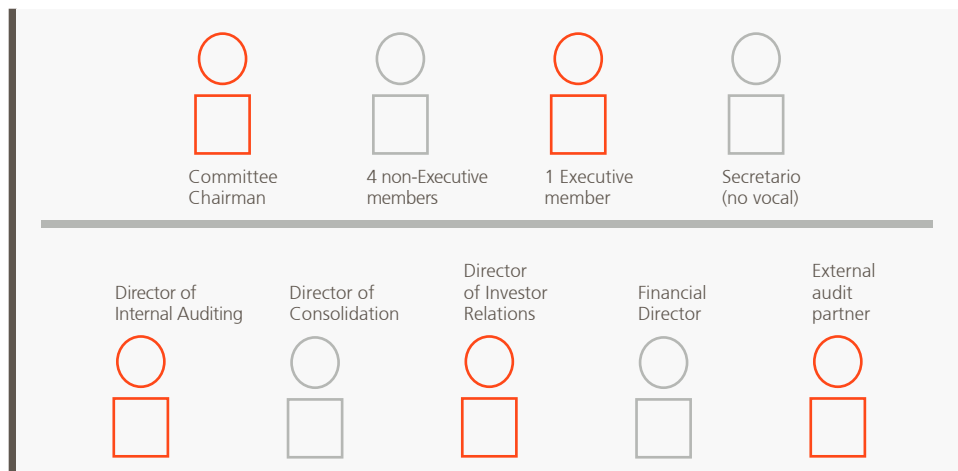
In addition, a number of recurring issues were addressed at each of the Audit Committee meetings, including:

- Monitoring of the Internal Audit Plan.
- Reporting on related-party transactions.
- Information on the whistleblowing policy / Code of Conduct compliance.
- Universal Risk Model.

The following graph shows the subjects analyzed at the Audit Committee meetings during the year:



Attendance at Committee meetings in 2011 was as follows:



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**Audit  
Committee  
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**Activities performed**

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

**Audit Committee**

**Main areas of oversight**

**Financial Reporting**

- Periodic information to CNMV
- Suitable accounting Policies
- Other requirements

**External Auditing**

- Appointment and remuneration
- Scope of the audit work
- Independence requirements
- Significant audit points
- Assessment of performance of external auditors.

**Risk and**

**Internal Control**

- Analysis of main Areas of risk
- Efficiency of control systems
- Risk of fraud

**Internal Auditing**

- Bylaws, responsibility and resources
- Scope of the audit work
- Implement.of I.A. recommendations.
- Efficiency of I.A. function

**Governance and compliance**

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>▪ Maintenance and Gauging the effectiveness of control bodies</li> <li>▪ Corporate governance</li> <li>▪ Oversight of communication and financial reporting</li> </ul> | <ul style="list-style-type: none"> <li>▪ CSR activities.</li> <li>▪ Monitoring compliance with ethical rules and concerns</li> <li>▪ Conflicts of interest</li> <li>▪ Related-party</li> </ul> |
|---|--|

04

Audit Committee Activity Report

a) Internal Audit

The Audit Committee’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 Committee received regular information in 2011 from the head of Corporate 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 Committee.

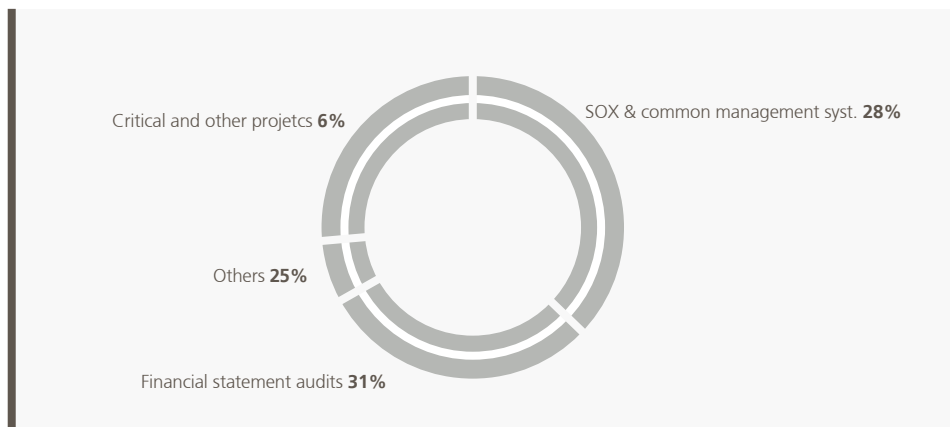
In 2011, the Audit Committee recorded and supervised the performance of 486 tasks by the Internal Audit Department. The tasks not included under the Plan related principally to general reviews of companies and projects that had not been envisaged in the initial planning.

As a result of the work performed, 231 recommendations were issued, most of which had been implemented by year end.

One factor that had a decisive impact on the number of recommendations issued was the performance of internal control compliance audits under PCAOB (Public Company Accounting Oversight Board) standards, in accordance with the requirements of section 404 of the Sarbanes-Oxley Act (SOX).

The following graph shows the different types of internal audit work conducted over the course of 2011.

Internal Audit missions 2010



Internal Audit missions	Sox and common management syst.	Financial statement audits	Critical projects and constr.	Other
Tasks performed in 2011	183	153	29	121

04

Audit Committee Activity Report

**The Internal Audit function (IAF) at Abengoa**

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

**Structure and team**

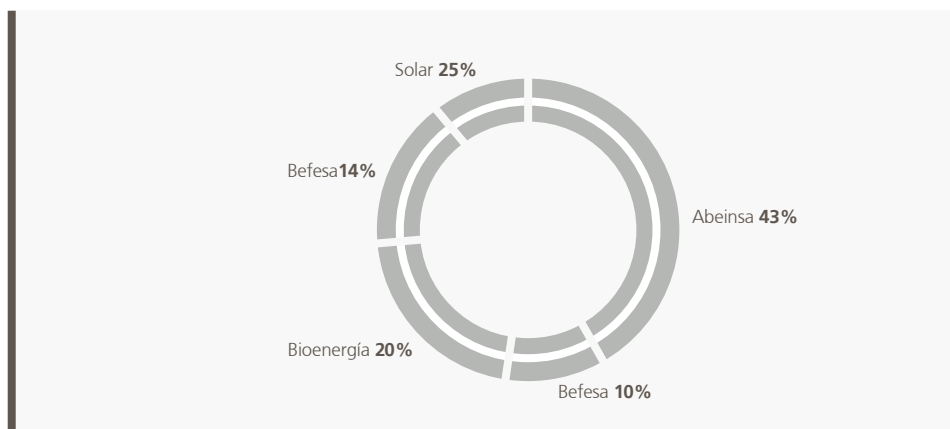
Abengoa’s Internal Audit Function is structured around the joint audit services, which act in coordination. To discharge its functions and carry on its activities, the service has a structure based on multidisciplinary teams, formally organized by geographical area, which work under a common annual work plan and share out the workload on the basis of their respective areas of expertise, all in accordance with best international practices.

The Internal Audit (IA) team is formed by 49 auditors, distributed among the different Business Groups.

- The average age of Abengoa’s internal audit team is currently around 31.
- Men and women have an equal weighting on the team.
- Average length of professional experience is seven years.
- Approximately 70 % of the auditors have prior experience in one of the “Big Four” external audit firms.

The profile of Abengoa’s internal auditors reflects the company’s commitment to employing personnel fully qualified to carry out the audit functions. Abengoa’s internal auditors seek at all times to provide excellent service when performing their work and become heavily involved in the business projects they are carrying out, with the overriding objective of creating value for the organization.

Distribution of internal auditors by business Group



**General objectives**

**Objectives of the Internal Audit function:**

- Forestalling the audit risks to which group companies, projects and activities are exposed, such as fraud, capital losses, operational inefficiencies and, in general, any risks that may affect the healthy running of the business.
- Maintaining the supporting role of rules and suitable and efficient management procedures in accordance with the corporate Common Management Systems.
- Creating value for Abengoa and its Business Groups, fostering the creation of synergies and monitoring optimal management practices.
- Coordinating working criteria and approaches with the external auditors, seeking the greatest efficiency and profitability between the two functions.
- Analyzing and processing complaints received and notifying the conclusions of the work to the Audit Committee.
- Evaluating the companies’ audit risk through an objective procedure.
- Developing annual work plans with the suitable scopes for each situation.

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Audit Committee Activity Report

**Evaluation of the Internal Audit function**

During 2011, Abengoa has finished a process of independent evaluation of the Internal Audit activity in accordance with the standards of the Institute of Internal Auditors.

The aim of evaluating the Internal Audit function is to assess the organization, processes and performance in the internal audit field, in order to fix parameters to improve internal audit effectiveness and efficiency and thus deal with an increasingly demanding competitive and regulatory environment.

The task of assessing the Internal Audit function centers on three key elements:

- Mission of the Internal Audit function in order to comply with the company’s requirements and expectations.
- Professionals of the Internal Audit function (IAF).
- Infrastructures and operations used by the Internal Audit Function in furtherance of its work.

Following the work conducted by an independent expert, the report concluded that Abengoa’s Internal Audit function is compliant with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IIA).



04

Audit Committee Activity Report

b) External audit

The auditor of the consolidated and non-consolidated annual accounts of Abengoa, S.A. is PricewaterhouseCoopers, which is also the group’s main auditor.

The Audit Committee proposed the appointment of this firm to the Board of Directors, which then passed it on to the General Shareholders Meeting, due to the firm’s extensive knowledge of the group and its history, an aspect valued very favorably by both the Committee and the management team.

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.

In 2011 Abengoa’s Audit Committee, in accordance with its rules and regulations, agreed to begin the selection process for designating a financial auditor for Abengoa, S.A. and its consolidated Group for year 2012.

Final appointment is contingent upon approval by the Board of Directors and the General Shareholders’ Meeting of Abengoa, S.A. and, in each case, by the Audit Committees, Governing Bodies and Shareholders’ Meetings and Assemblies of the corresponding Group companies.

The Audit Committee’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.

**Monitoring of services:**

- To review of the services rendered by the external auditor, audit team, their services and fees.
- To look into audit offers, focusing on services/ strategies, terms of procurement and fees.
- To review the independence of the auditor and its experience, including dealings with the auditor and assessment of its performance.

**Good governance practices**

- Be aware of any difficulties found in performing the audit – restrictions on the access to information.
- Be informed of internal control deficiencies/fraud/illegal actions.
- Updates on issues that affect the external auditor’s independence, including plans to change the principal audit partner.

**Planning of the external audit**

- To familiarize itself with the external audit plan.
- To understand what the company expects from the auditor: type of service, timeframes and information requirements.
- To examine the experience of the audit teams.
- To appreciate that the main areas of risk will be tackled during the audit.

**Financial reporting**

- Review of the audited financial statements.
- Be informed of and discuss the key findings of the audit and the significant accounting policies/audit opinions/quality of financial reporting.
- Discuss any incidents found with Management.
- Separate meetings with the external auditors.



04

Audit Committee Activity Report

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 37 new companies have been audited this year round, more than 62% 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 2011 audit, including reviews of periodic reporting and the SOX audit:

	Firm	Fees	Companies
Spain	PwC	2,400,069	91
Spain	Deloitte	11,900	1
Spain	Other Firms	49,640	10
Abroad	PwC	1,931,234	137
Abroad	Deloitte	69,678	3
Abroad	Other Firms	93,924	14
<b>Total</b>		<b>4,556,445</b>	<b>256</b>

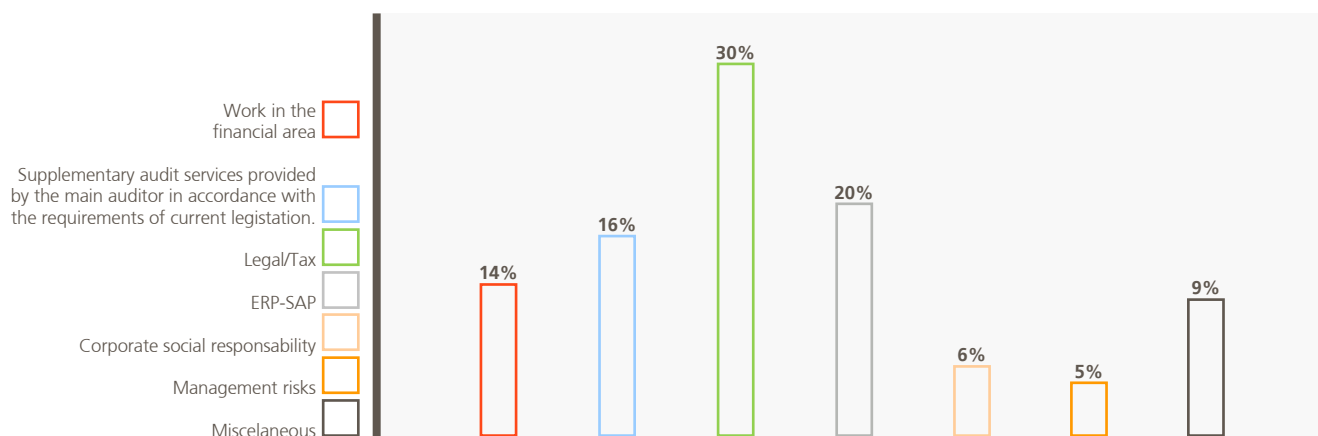
When assigning non-audit work to any of the "Big Four" audit firms, the company has a prior verification procedure in place so as to detect any possible incompatibilities that would prevent the firm from performing the work under the rules of the U.S. SEC (Securities Exchange Commission) or Spanish ICAC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

The following table reveals the fees payable to the Big Four audit firms for non-audit work performed in 2011:

Firm	Fees
PwC (*)	2,356,247
Deloitte	696,117
Kpmg	1,340,089
Ernst & Young	1,506,591
<b>Total</b>	<b>5,899,044</b>

(\*) I include € 907,799 pertaining to other additional services provided by the principal auditor in accordance with applicable law.

The following table reveals the fees payable to the Big Four audit firms for non-audit work performed in 2011:



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Audit Committee Activity Report

In 2011, a survey was conducted on the satisfaction with the service received from the main auditor during the 2010 audit. A series of conclusions have been drawn from this survey and will help to improve the work carried out jointly with the main auditor.

The Audit Committee 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 Committee 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.

Although the auditors must issue their opinion on the financial statements as of December 31 each year, the work they conduct within each of the companies includes a review up to an earlier date, which is typically the end of the third quarter (September), in order to anticipate any significant transactions or other matters that have arisen up to said date.

Since 2008, Abengoa has been voluntarily submitting its half-yearly statements to a limited review issued by the corresponding auditor.

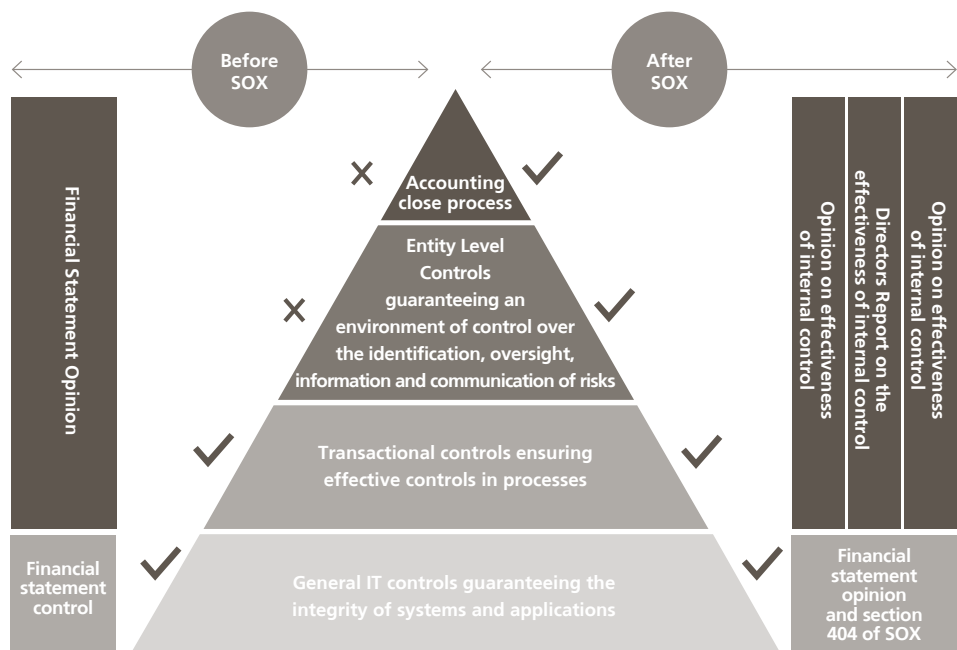
The quarterly financial statements also undergo a review process so that the information required by official bodies can be duly disclosed.

Likewise, the consolidated financial statements of each the five Business Groups are audited: Abeinsa, Befesa, Abengoa Bioenergy and Abengoa Solar.
- 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).

The specific PCAOB rules require a number of additional audit procedures to be conducted. The SEC (Security Exchange Commission) delegates to the PCAOB the preparation and issuance of the standards to be met by external auditors when evaluating internal control processes as part of an integrated audit.

In 2011, the external auditors carried out an integrated audit under PCAOB standards.

As a result of this work, the external auditors likewise issued a report containing the conclusions of their internal control assessment. This opinion is additional to the one included in the audit report on the annual financial statements, although the PCAOB allows both opinions to be included in the same document.



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## Audit Committee Activity Report

- 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.
- One of the cornerstones of the company's strategy is its commitment to transparency and rigor. To reinforce this commitment, some years ago the company fixed the objective that all information appearing in the Annual Report should be verified externally. Therefore, 2007 witnessed the first audit on the company's Corporate Social Responsibility Report. In 2008, this was extended to the Greenhouse Gas Emissions Report and in 2009, the Corporate Governance Report underwent an external audit process.  
The company is not satisfied with a limited assurance verification report pursuant to ISAE 3000 standards, but intends to continue progressing towards a reasonable assurance verification report, which is the most demanding type of verification to which a company can aspire.

Thus, external auditors issued six reports in 2011, 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).
- Voluntary reasonable assurance audit report on the Corporate Governance Report, with Abengoa being the first listed company in Spain to obtain a report of this nature.
- Voluntary reasonable assurance audit report on the Corporate Social Responsibility Report.
- Voluntary audit report on the Greenhouse Gas (GHG) Emissions Inventory.
- Voluntary audit report on the design and application of the Risk Management System pursuant to ISO 31000 standards.

### c) Internal control

The Audit Committee'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.
- Capacity 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.
- Análisis de procedimientos, actividades y controles que persiguen garantizar la fiabilidad de la información financiera y prevenir el fraude.

## 04

Audit  
Committee  
Activity  
Report**Internal control model**

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

- Audit Committees 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.

The 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).

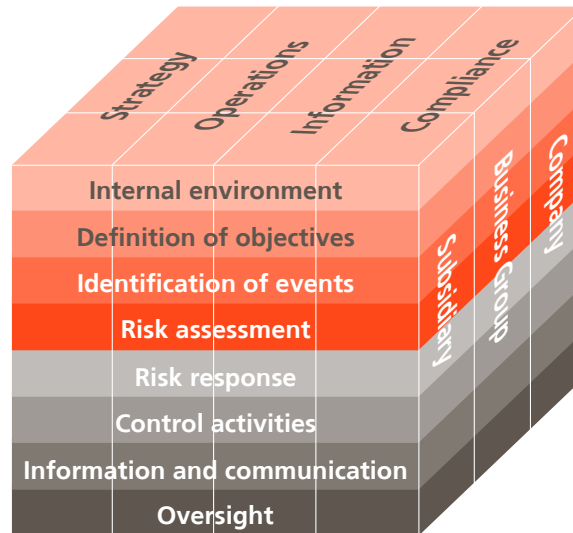
This means that Abengoa has been complying strictly with the reference indicators included in the Spanish CNMV's ICFR document for four straight years now.

Abengoa believes that a proper internal control system would ensure that all relevant financial information is reliable and known to the management. It therefore believes that the model developed and tailored to SOX provides the ideal partner for the Common Management Systems, the main aim of which is to control and mitigate business risks.

The COSO model has been used as the conceptual framework, since this model most closely mirrors the approach required by SOX, which has also been presented to the Audit Committee. In this model, internal control is defined as the process carried out in order to provide reasonable assurance of the attainment of certain objectives, such as compliance with laws and regulations, the reliability of financial reporting and the effectiveness and efficiency of operations.

04

Audit Committee Activity Report



- **Internal environment:** this is essentially the basis for all the other components of risk management as it provides discipline and structure. The internal environment influences the strategy and targets in place by effectively structuring business activities and pinpointing, assessing and interpreting risks. Put differently, the internal environment affects the functioning of the control activities, information, communication systems and the oversight functions.
- **Definition of objectives:** Within the context of mission and vision, the management defines strategic objectives. These objectives must be in place before the management is able to identify the events potentially capable of frustrating attainment thereof. Risk management enables the management to have a process whereby objectives can be harmonized with the company’s mission and vision, and to ensure that these are compatible with the degree of accepted risk.
- **Identification of events:** The company must be vigilant of events that could have a positive or negative bearing on the company. Negative impacts require assessment and an appropriate response from the management. When identifying possible events, the management must pay due heed to both internal and external factors.
- **Risk assessment:** Risk assessment allows the company to address potential events that could affect its ability to reach its objectives. The approach to assessing risks involves a combination of qualitative and quantitative techniques.
- **Risk response:** When faced with significant risks, the management must generate potential responses. After having created a risk response, the management must calibrate the new risk to the residual basis. There will always be a residual risk, not only because resources are limited, but also because of future uncertainties and limitations inherent in other activities.
- **Control activities:** These are the policies and procedures that help to ensure that the company’s response to risk is correctly implemented. Control activities take place throughout all levels and functions of the company structure.
- **Information and communication:** Information, both internal and external, must be identified, secured and communicated in due time and form if we are to be able to assess risks and provide an appropriate response. Given that information is generated from different sources (internal, external) and has different characteristics (quantitative, qualitative), the company must be sure to secure the most relevant information, which must be processed and conveyed such that it reaches all relevant sectors, thereby allowing us to assume responsibilities.
- **Oversight:** Risk management must be supervised, and this oversight may be conducted in real time or a posteriori, the former proving the most effective means.

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Audit Committee Activity Report

d) Governance and compliance

To carry out its responsibilities, the Audit Committee has the following supervision tools at different levels of the organization:

Board of Directors: policies and guidelines	Audit Committee: oversight	Management: design and implementation	Rest of the company: performance
Control environment	<ul style="list-style-type: none"> <li>■ Code of Conduct</li> <li>■ Whistleblower channels for reporting incidents</li> <li>■ Programs for training internal auditors</li> <li>■ Training courses for the Audit Committee</li> </ul>		
Risk identification and assessment	<ul style="list-style-type: none"> <li>■ Systems for identifying and managing risk (Risk Map)</li> <li>■ Links with other risks (operational, reputation, legal, ...)</li> </ul>		
Information and communication systems	<ul style="list-style-type: none"> <li>■ Manual of accounting policies, updates and training</li> <li>■ Department of accounting policies</li> <li>■ Manual of internal processes and rules</li> <li>■ Integrated information systems</li> <li>■ Reporting systems</li> </ul>		
Control activities	<ul style="list-style-type: none"> <li>■ Processes and controls for all areas / processes</li> <li>■ Closing procedures</li> <li>■ Procedures relating to Information Systems (IT)</li> <li>■ Collaboration with independent experts</li> <li>■ Mechanisms for validating opinions, estimates and forecasts</li> </ul>		
Oversight	<ul style="list-style-type: none"> <li>■ Independent internal audit unit</li> <li>■ Global scope: All areas / procedures</li> <li>■ Audits of all areas / processes / territories</li> <li>■ Handling of weaknesses / recommendations</li> </ul>		

Company management has 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.

The Code of Conduct is available to all employees through the Abengoa intranet and is regularly updated.

The Welcome Manual of Abengoa and the different Business Groups make express reference to the Code of Professional Conduct.

All departments, principally 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**

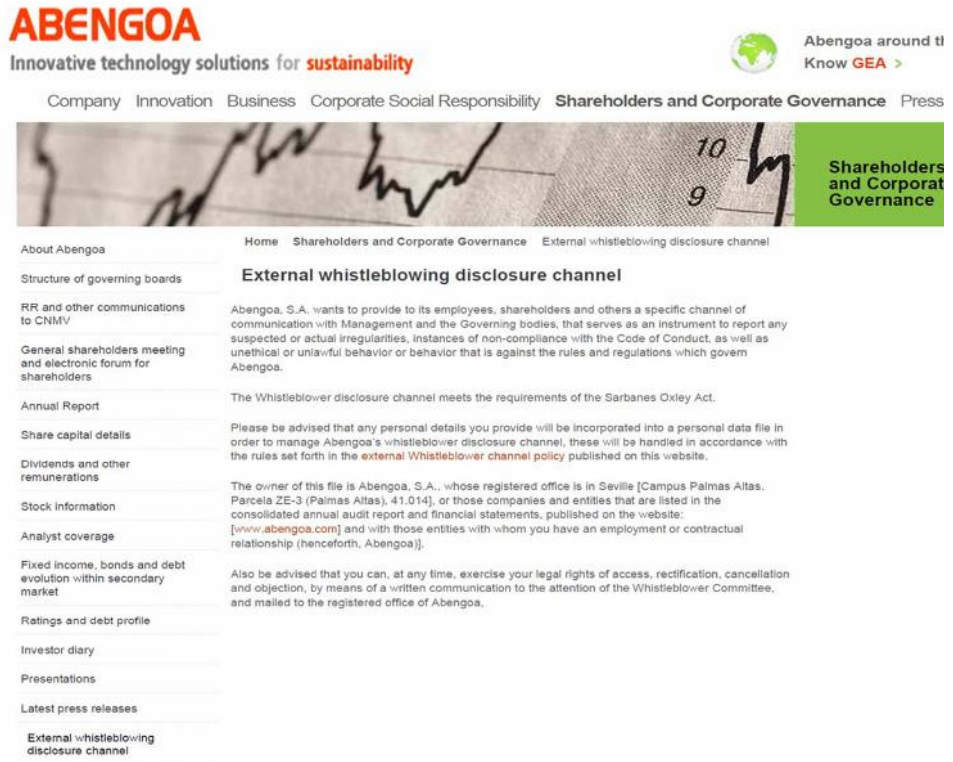
Abengoa and its different Business Groups have a mechanism in place for forwarding complaints to the Audit Committee. The channel was formally implemented in 2007 under the requirements of the Sarbanes-Oxley Act.

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Audit Committee Activity Report

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).



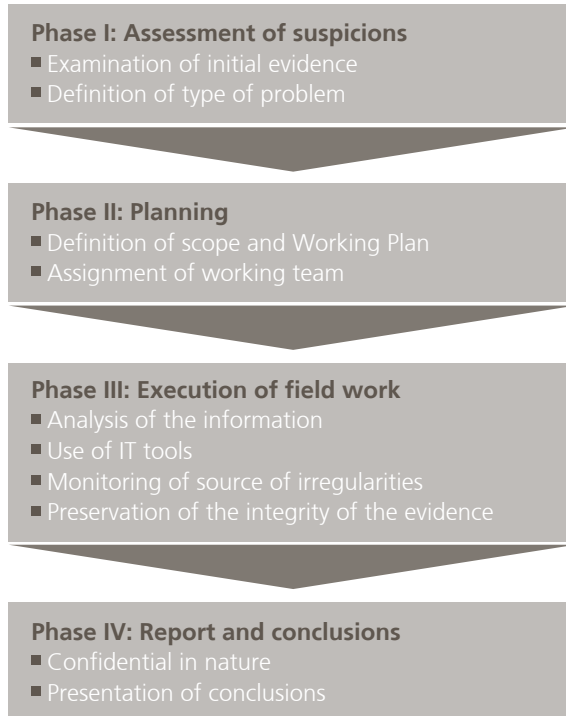
Complaints may be sent on the basis of confidentiality for the complainant or anonymously.

The aim of Abengoa in creating these channels has been to provide a specific means of communicating with management and the governing bodies, which may be used as a tool to inform them of any possible irregularity, non-compliance, unethical or illegal conduct or breach of the rules that govern the group.

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Audit Committee Activity Report

Every complaint received leads to investigations by the Internal Audit team in accordance with the following procedure:



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 nº 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.

The FCPA complements the requirements imposed by section 404 of the US Sarbanes Oxley Act (SOX).



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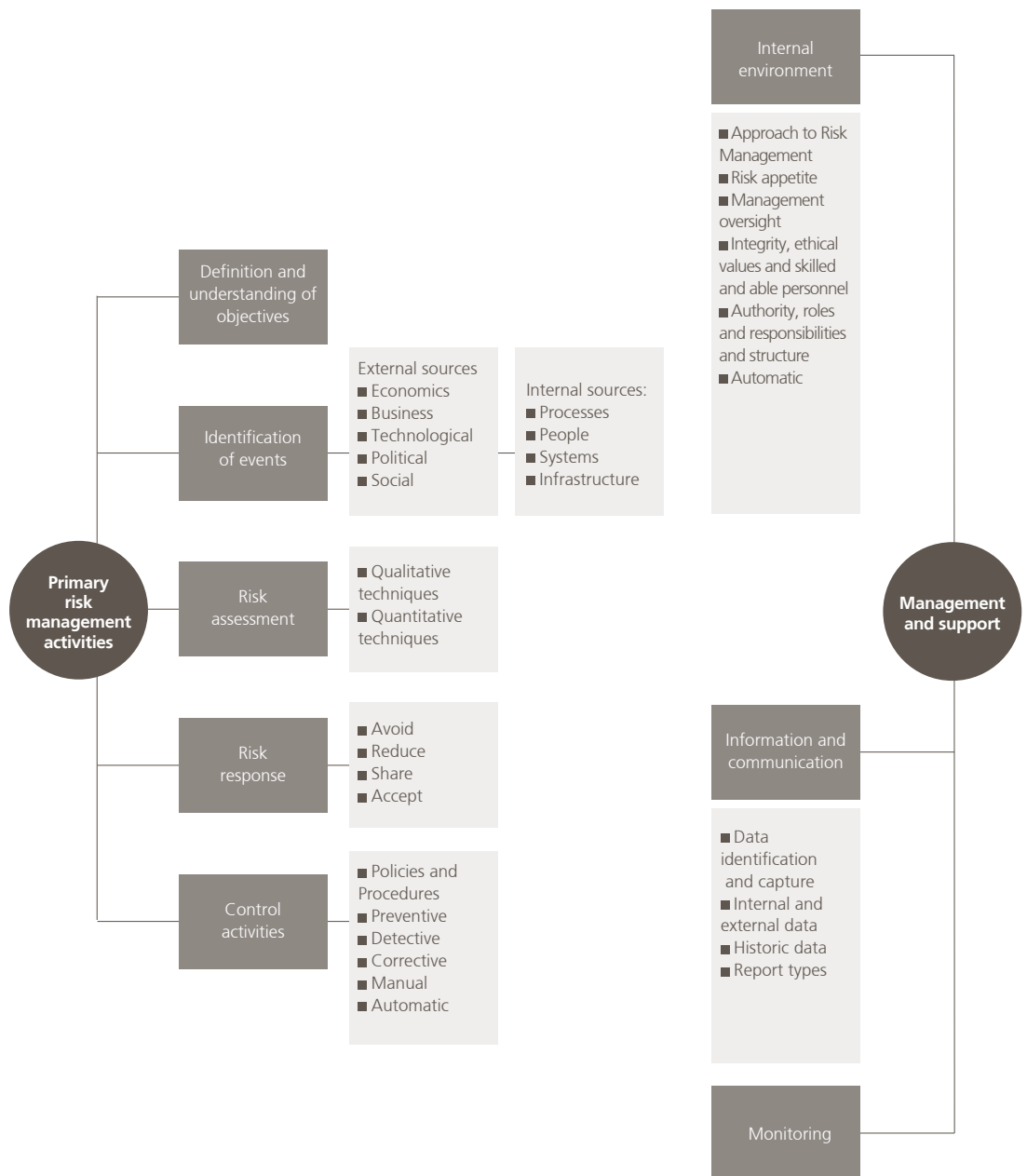
Audit Committee Activity Report

## Oversight and control of the Risk Management Model at Abengoa

During 2011, 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, 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.

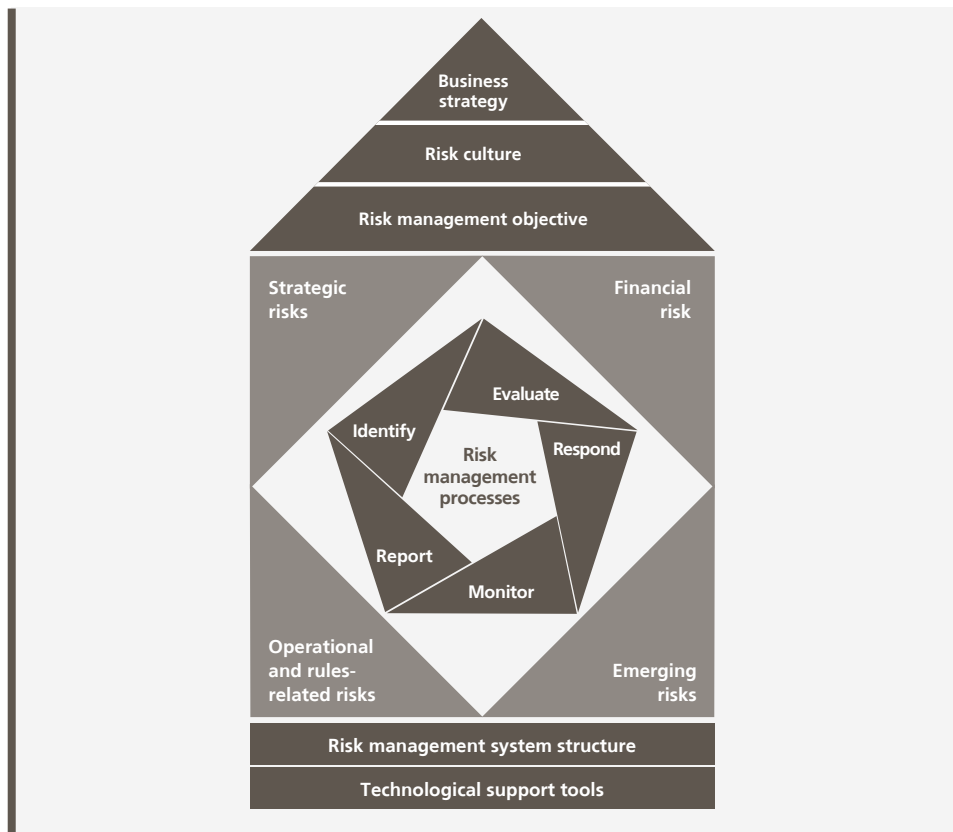


04

Audit Committee Activity Report

Risk Management System

Abengoa’s Risk Management System is shown in the following diagram:



Abengoa defines risk as any potential event that may prevent the company from reaching its business objectives. Abengoa considers that a risk arises as a loss of opportunities and/or strengths or the materialization of a threat and/or strengthening of a weakness.

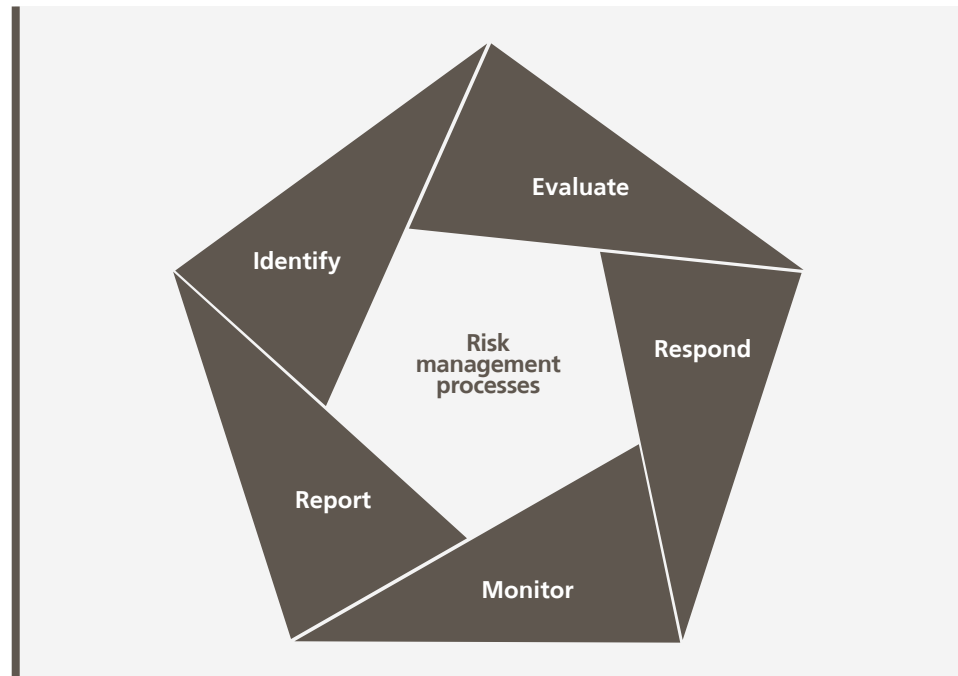
Abengoa’s attitude in the face of risk is awareness, involvement and anticipation. The key principles of Risk Management at Abengoa are the following:

- In order to attain the business objectives fixed, risks must be managed at all levels of the company without exception.
- The Board will be responsible for supervising the efficiency of the entity’s internal control and risk management systems.
- Decisions are always taken on the basis of a consensus, with shared responsibility.
- Abengoa’s risk management system is fully integrated into:
  - The strategic planning process.
  - The definition of business objectives.
  - Day-to-day operations to attain said objectives.
- Risk management includes the identification and assessment of, response to, monitoring or follow-up of and reporting of risks in accordance with the procedures in place for these purposes.
- Responses to risks must be consist and must be well adapted to the conditions of the business and the economic environment.
- Management must regularly evaluate the assessment of its risks and the responses that have been designed.
- Monitoring will be conducted regularly and the conformity of the activities of identification, assessment, response, monitoring and reporting included in Abengoa’s risk management system will be reported.

04

Audit Committee Activity Report

The Risk Management process at Abengoa is a continuous cycle based on five key phases, as shown in the following diagram:



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	Threats 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

# 04

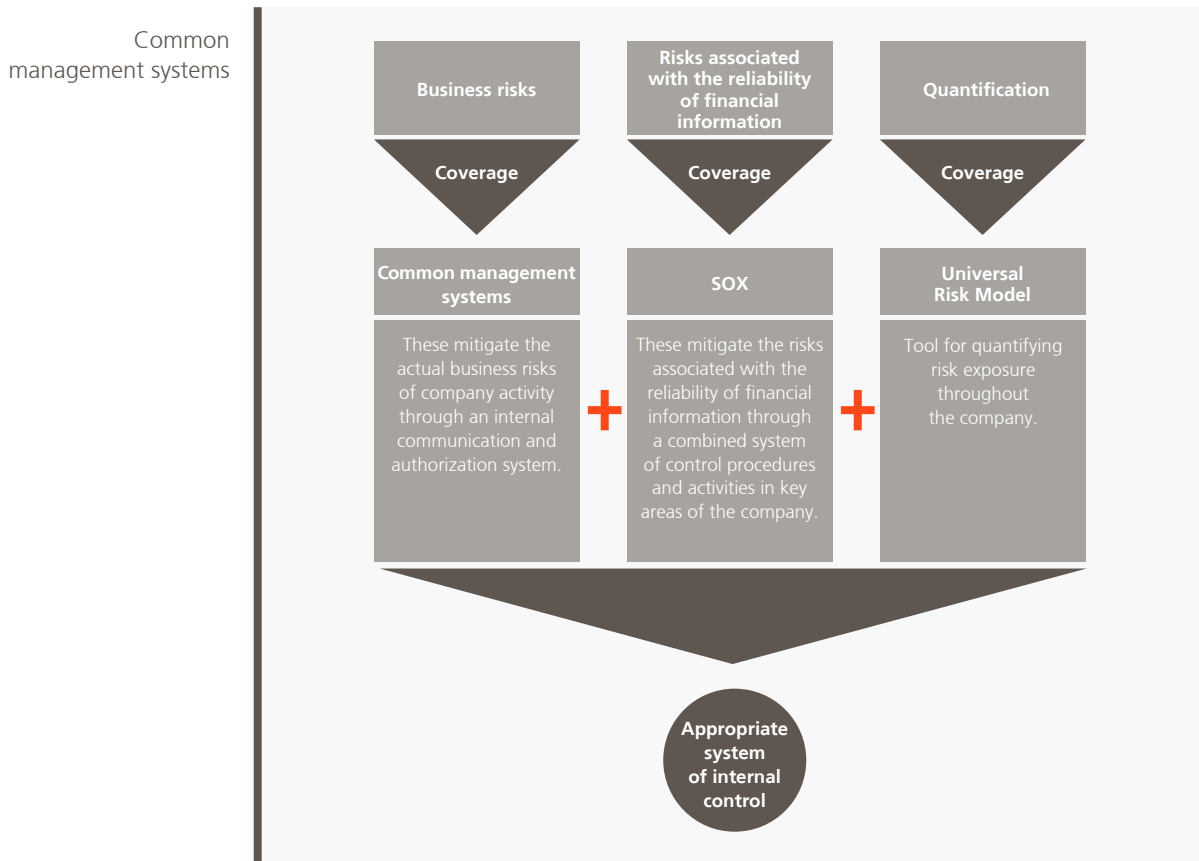
## Audit Committee Activity Report

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 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.

Abengoa’s risk management model comprises two core elements:



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

04

Audit Committee Activity Report

a) Common management systems

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

Objectives

- To identify possible risks which, although they are inherent to any business, must be identified, mitigated and monitored.
- To optimize the day-to-day management by applying procedures leading to financial efficiency, expense reduction and the homogenization and compatibility of information and management systems.
- To promote synergies and value creation throughout Abengoa’s different Business Groups.
- To reinforce corporate identity.
- To achieve growth through strategic development that seeks innovation and new options in the medium- and long-term.

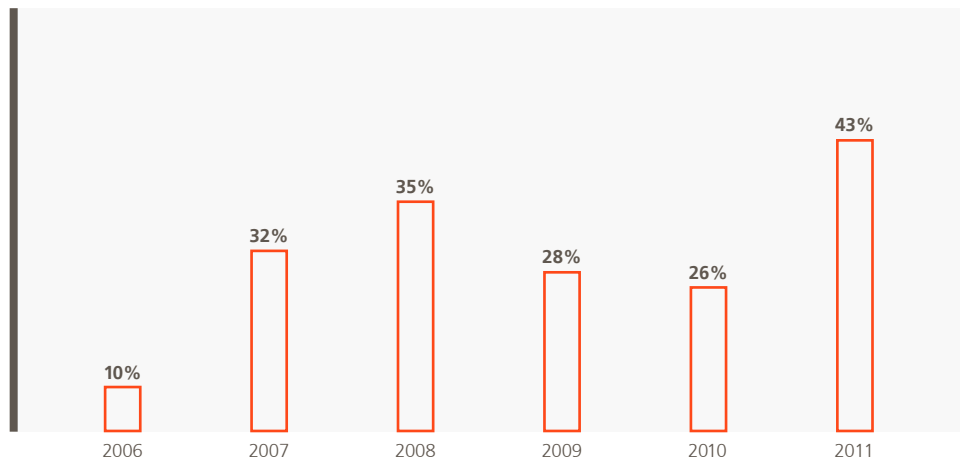
The systems cover the whole organization at three levels:

- All the Business Groups and areas of activity.
- All levels of responsibility.
- All kinds of operations.

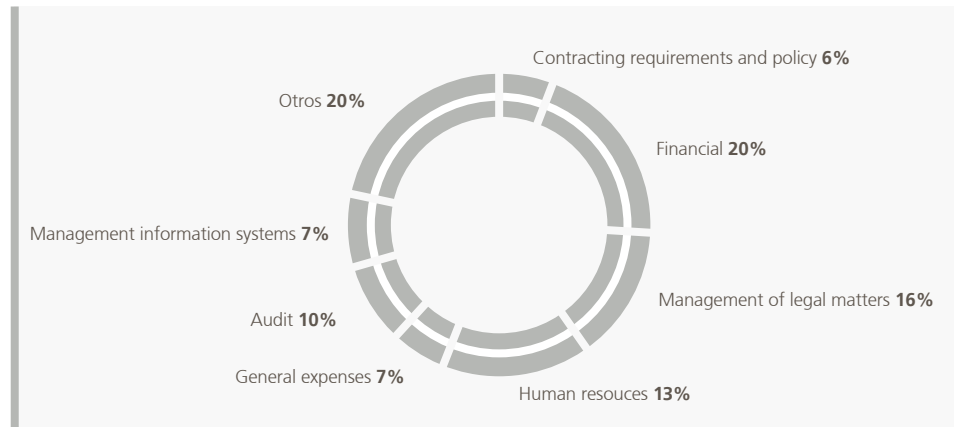
Our «Common management systems» represent a common culture for Abengoa’s different businesses and are composed of eleven Rules defining how each of the potential risks included in Abengoa’s risk model should be managed. Through these systems, the risks and the appropriate way of hedging against them 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.

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**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.

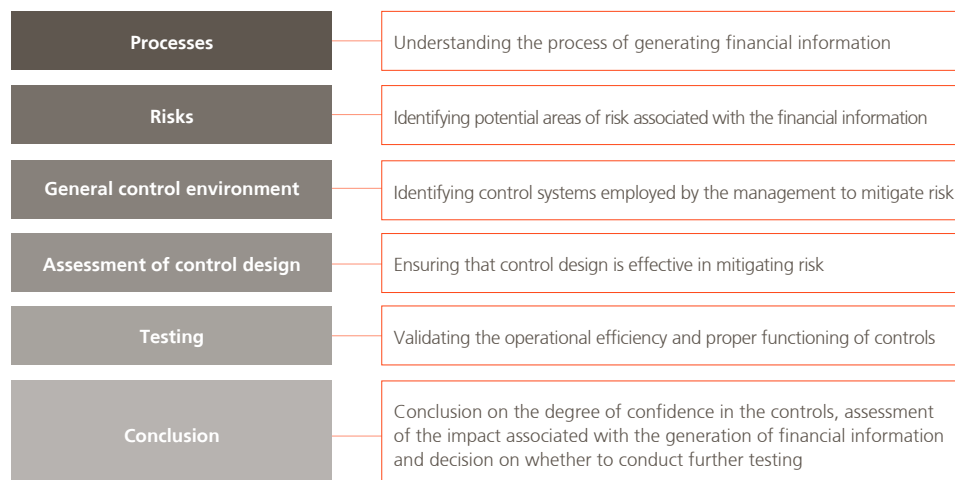
As a result of our commitment to transparency, and so as to continue to ensure the reliability of the financial information prepared by the company, we have continued to reinforce our internal control structure, adapting it to the requirements established under section 404 of the United States Sarbanes-Oxley Act (SOX). For a further year, we have voluntarily submitted the internal control system of the whole group to an independent evaluation process conducted by external auditors under PCAOB (Public Company Accounting Oversight Board) audit standards.

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, 41 Management Processes (MPs) 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:



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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.

Our approach is as follows:

- A top-down approach to risk assessment, helping us to identify the areas of greater risk.
- Integration of financial statement audits and internal control reviews, paying special attention to the company’s General Control Environment (GCE).
- A focus that combines SOX Section 404 with the Internal Auditing work being performed.
- A working plan that identifies the most relevant business areas and the most significant accounts in a way that ensures satisfactory coverage of the associated risks involved.
- Internal auditing teams made up of professionals with experience and expertise in the sector.
- Use of experienced experts to support the internal auditing teams as and when needed.

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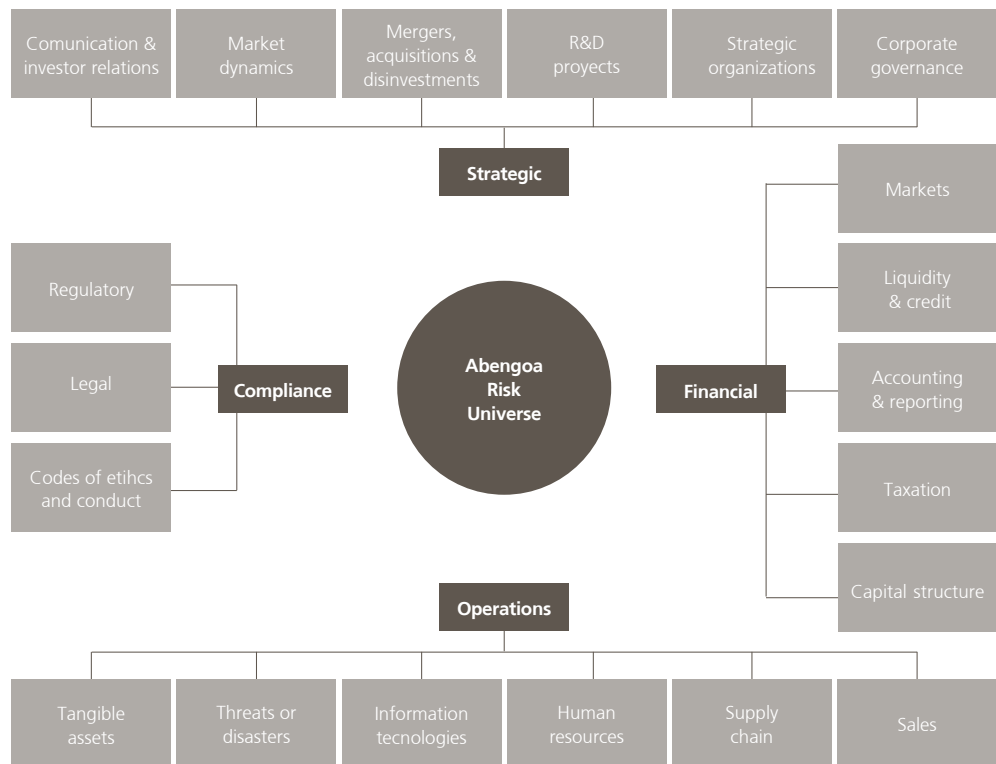
Audit Committee Activity Report

c) The Universal Risk Model

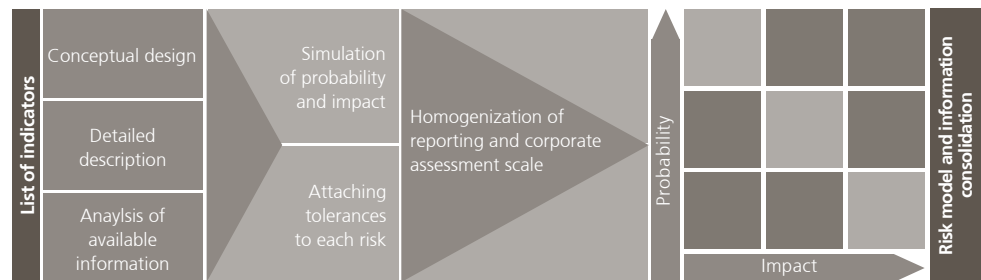
In 2011, Abengoa finished integrating its Universal Risk Model, the company's chosen methodology for quantifying the risks that compose the Risk Management System.

Abengoa's Universal Risk Model is made up of four categories, 20 sub-categories and a total of 86 principal risks for the business. Each these risks has an associated series of indicators that allow its probability and impact to be measured and the degree of tolerance to the risk to be defined, thus allowing for subsequent risk assessment and monitoring.

The following diagram illustrates how Abengoa's Universal Risk Model works. The model is periodically reviewed and updated jointly by the Internal Audit departments, the heads of each area involved and the heads of risk management at corporate-level and for the different Business Groups.



After applying both probability and impact indicators to all the risks that make up Abengoa's Universal Risk Model, risks are grouped accordingly into four types, each with its own pre-determined risk management strategy:





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- Minor risk: risks that occur frequently but have little economic impact. These are managed accordingly to reduce the likelihood of them arising, but only if managing them proves economically viable.
- Tolerable risk: risks that occur infrequently and have little economic impact. These risks and monitored to ensure that they remain at tolerable levels.
- Severe risk: frequent risk with a heavy impact. These risks are managed immediately, although due to the risk management processes implemented by Abengoa, it is unlikely that Abengoa will have to tackle this type of risk.
- Critical risk: risks that occur infrequently but have a very high economic impact. These risks have their own contingency plan, given the severity of their impact should they arise.

On a final note, Abengoa completed implementation in 2011 of Archer eGRC, a technological solution enabling the company to automate the process of identifying, assessing, responding to, monitoring and reporting the risks that make up its Universal Risk Model, thus helping to protect all the activities and sectors in which Abengoa is currently engaged.



# 05

## Annual Report from the Appointments and Remunerations Committee

Annual Report 2011

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## Annual Report from the Appointments and Remunerations Committee

### Introduction

The Appointments and Remunerations Committee was created by Abengoa SA's Board of Directors on 24th February 2003 pursuant to Article 28 of the Board of Directors Regulations, with the aim of incorporating the recommendations on the Appointments and Remunerations Committee in Law 44/2002 on the Reform of the Financial System. Said Board of Directors also approved its Internal Regimen Regulations.

### Composition

The current composition of the Committee is as follows:

- **Daniel Villalba Vilá** Chairman. Non-executive independent Board Member  
(Until 25.07.11)
- **Mercedes Gracia Diez** Chairman. Non-executive independent Board Member  
(From 24.10.11)
- **Aplicaciones Digitales, S. L.** Member. Executive Board Member  
(Represented by José B. Terceiro Lomba)
- **José Luis Aya Abaurre** Member. Non-executive Nominee Board Member
- **Alicia Velarde Valiente** Member. Non-executive independent Board Member
- **Carlos Sebastián Gascón** Member. Non-executive independent Board Member
- **José Marcos Romero** Non-Board. Member Secretary

The Secretary was appointed during the Appointments and Remunerations Committee meeting held on 28th January 2004 through a meeting by circular resolution; the Chairman was however appointed during the Appointments and Remunerations Committee meeting held on 24th October 2011.

The Appointments and Remunerations Committee is consequently comprised of one executive and four non-executive board members, in compliance with the requirements set forth in the Law on the Reform of the Financial System. Likewise, in accordance with the provisions of Article 2 of its Internal Regulations, the post of Committee Chairman is compulsorily held by a non-executive board member.

## Duties and competencies

The following are the duties and competencies of the Appointments and Remunerations Committee:

- Inform the Board of Directors about appointments, re-elections, terminations and remunerations of the Board and of their posts, as well as about the general policy on remunerations and incentives for them and for the top management.
- To inform the Board of Directors beforehand on all proposals it may submit to the General Meeting for the appointment or dismissal of board members, even in cases of co-optation by the Board of Directors itself; annually checking to ensure the upholding of the conditions that led to the appointment of a board member and the nature or type thereof. Said information shall be included in the Annual Report. When filling in new vacancies, the Appointments and Remunerations Committee will ensure that the selection procedure is void of implicit biases prone to be obstacles to the selection of female board members and also that women who meet the required profile are included as potential candidates.
- To prepare an annual report on the activities of the Appointments and Remunerations Committee, to be included in the management report.

## Sessions and convening

To execute the duties listed above, the Appointments and Remunerations Committee shall meet as many times as necessary and, at least, once every six months. They shall also meet on the behest of the Chairman. Lastly, a meeting shall be deemed valid if all its members are present and they decide to hold a session.

The Committee held five meetings during the 2011 financial year; the most relevant among the issues dealt with on the agenda were the proposals of appointment and renewal of the Board of Directors, as well as the verification that the conditions that were basis for the appointment of the board members and the nature or type thereof continued to be upheld.

## Quorum

The Committee is considered validly constituted if the majority of its members are present. Only non-executive board members may act as representatives.

Decisions taken shall be deemed valid if favourably voted by the majority of the committee members, present or represented. Situations of tie shall be resolved by Chairman's vote.

The company's head of remunerations shall act as secretary in the Committee meetings.

Committee analyses and proposals

- Follow-up and progress of remunerations of the members of the Board of Directors and the company's top management.
- Proposal of remunerations for the members of the Board of Directors and the company's top management.
- Preparation of the relevant information to be included in the financial statement.
- Proposal to the Board of Directors for the cooptation appointment of board member Mr. Ricardo Martínez Rico, following the resignation of Mr. Daniel Villalba Vilá.
- Proposal to the Board of Directors for the re-election of Aplicaciones Digitales, S.L., Ms. M<sup>ª</sup> Teresa Benjumea Llorente, Mr. Fernando Solís Martínez-Campos, Mr. Ignacio Solís Guardiola and Mr. Carlos Sundheim Losada as board members because previous mandates had expired.
- Proposal to the Board of Directors for the approval of the annual report on the Remuneration of Board Members (RAR, remunerations annual report).

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- Report on the verification that the conditions that were basis for the appointment of board members and their nature and type continue to be upheld.
- Presentation of the report on the remuneration of the members of the Board of Directors and Top Executives to the Board of Directors.
- Reports on comparative salaries and market researches by independent experts.
- Proposal to the Board of Directors for the approval of the Extraordinary Variable Remuneration Plan expiring on 31-12-2015. ■ Propuesta al Consejo de Administración de reelección como consejeros, por vencimiento mandato anterior, de Aplicaciones Digitales, S.L., Doña M<sup>ª</sup> Teresa Benjumea Llorente, Don Fernando Solís Martínez-Campos, Don Ignacio Solís Guardiola y Don Carlos Sundheim Losada.
- Propuesta al Consejo de Administración para la aprobación de Informe anual sobre remuneraciones de los consejeros (IAR).
- Informe sobre la verificación del mantenimiento de las condiciones que concurrieron en la designación de consejeros y de su carácter o tipología.
- Presentación al Consejo de Administración del informe sobre retribución de los miembros del Consejo de Administración y de los Primeros Ejecutivos.
- Informes sobre estudios de mercado realizados por expertos independientes y comparativas sobre retribuciones.
- Propuesta al Consejo de Administración para la aprobación de un Plan de Retribución Extraordinaria Variable con vencimiento en 31-12-2015.

## Annual report on the remuneration of Board Members (RAR)

### Background

This report on the Policy on Remuneration of Administrators for the 2011 financial year was prepared by the Appointments and Remunerations Committee pursuant to the stipulations of Article 28 of the Regulations governing the Board of Directors of Abengoa SA.

This report includes Abengoa SA's remuneration policy for the members of its Board of Directors. It is subject to the principles of transparency and information, and it fixes the salaries of the company's Top Management executive board members separate from the salaries of the non-executive board members, incorporated in the general remuneration policy applicable to the whole staff.

### Basic principles

Abengoa deems it crucial to maintain policies geared towards proposing long-term professional careers in the Group. Given the extremely competitive nature of Abengoa's sphere of activities, the achievement of its goals and objectives greatly depends on the quality of the persons holding key posts and leading the organization, their work capacity, dedication to, and knowledge of, the business.

These premises determine the group's policy of remuneration in general, that of the Board Members in particular, and especially that of the executives, and it should make it possible to attract and retain the best amongst the professionals.

Consequently, the aim of the policy of Remuneration of Board Members is as follows:

- Remuneration for the performance of mere board-member duties that is appropriate enough to reward the necessary dedication, qualification, and responsibility required for the correct performance of such post.
- For Executive Board Members, for the performance of executive duties, it ensures that:
  - (i) The overall remuneration package and its structure are competitive in comparison with the international sector and compatible with our vocation of leadership.
  - (ii) The maintenance of an annual variable component linked to the achievement of specific and quantifiable objectives that are in line with the interests of shareholders

### Structure of board members remuneration

The structure of board members remuneration, adapted to comply with the stipulations of the Law (specifically, articles 217 and following of the Corporations Act), the Bylaws (article 39) and the Regulations of the Board of Directors, is comprised of the following elements:

- **Remuneration for non-executive board member post**  
The post of board member is remunerated following the stipulations of article 39 of the Bylaws. The salary may consist of a fixed amount set by the General Meeting, not necessarily equal amounts for all members. It could also be an allotment of a share in the Company's profits, between 5 and 10 percent maximum of the annual profit after subtracting the dividend, for the financial year at hand, plus reimbursement of duty and Board-related travel expenses.

This remuneration is linked to EAT (Earnings After Tax); it may also include rewards for belonging to Board of Directors Committees and, as the case may be, for Chairmanship.

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Committee■ **Remunerations for the performance of other non-board member Company duties**

These include remunerations to board members for performing duties, as executive board members or otherwise, other than those of supervision and decisions executed on the Board or on its Committees.

These remunerations are compatible with the perception of the bylaws and per diems they may be paid for their mere condition as members of the Board of Directors.

Executive-duty salary packages include the following basic elements:

**(a) Fixed Remuneration**

This amount must be competitive in comparison to those on the market in line with the leadership position Abengoa strives for. It must be determined through market studies by external consultants. The fixed salary consists of the following:

- 1) Salary Level. This is the basic fixed monthly salary, stipulated for each category or level.
- 2) Special Responsibility Allowance (SRA). This complement is freely set by the Company's Management and paid on monthly basis, and it is therefore linked to and conditioned by the exercise of a specific duty or the performance of a given responsibility.

**(b) Variable annual remuneration (bonus)**

Variable annual remuneration (or bonus) for executive board members is basically linked to the fulfilment of objectives. Said objectives are in reference to gross cash flows / EBITDA for some board members or to earnings after tax (EAT) for others. Based on these criteria, a range of total variation of the variable remuneration of executive board members is estimated at the start of financial year.

The fixed remuneration therefore includes the salary level amount and the special responsibility allowance, payable monthly.

The variable remuneration is the annual bonus payable in bulk.

## Total remuneration of the Board of Directors for the 2011 financial year

The total remuneration of board members for the 2011 financial year follows:

Salary scale for Board of Directors in the 2011 Financial Year  
(Amount in thousands of Euros)

Name	Type	Salaries	Short-term variable remuneration	Per diem	Remuneration for serving on Committees	Remuneration of Board of Directors of other Companies of group	Other items	2011 Total	2010 Total
Mr. Felipe Benjumea Llorente	Executive	586	3804	93	-	-	-	4483	3483
Aplidig, S.L. (1)	Executive	-	2804	180	-	-	-	2984	2984
Mr. Manuel Sánchez Ortega	Executive	586	3024	93	-	-	-	3703	126
Prof. José B. Terceiro Lomba	Executive	-	-	-	-	-	-	-	25
Prof. Carlos Sebastián Gascón	Independent	-	-	166	110	7	-	283	310
Mr. Daniel Villalba Vilá (2)	Independent	-	-	100	72	9	-	181	310
Prof. Mercedes Gracia Díez	Independent	-	-	127	61	-	-	188	154
Mr. Miguel Martín Fernández	Independent	-	-	-	-	-	-	-	-
Mrs. Alicia Velarde Valiente	Independent	-	-	110	66	-	-	176	154
Prof. Jose Borrell Fontelles	Independent	-	-	200	100	-	-	300	300
Mr. Ricardo Martínez Rico (3)	Independent	-	-	28	-	12	-	40	-
Mr. José Luis Aya Abaurre	Proprietary	-	-	110	44	-	-	154	154
Mr. José Joaquín Abaurre Llorente	Proprietary	-	-	110	44	-	-	154	154
Mrs. María Teresa Benjumea Llorente	Proprietary	-	-	78	-	24	-	102	102
Mr. Javier Benjumea Llorente	Proprietary	-	-	78	-	-	177	255	268
Mr. Ignacio Solís Guardiola	Proprietary	-	-	78	-	-	-	78	78
Mr. Fernando Solís Martínez-Campos	Proprietary	-	-	78	-	-	-	78	78
Mr. Carlos Sundheim Losada	Proprietary	-	-	78	-	-	-	78	78
		<b>1172</b>	<b>9632</b>	<b>1707</b>	<b>497</b>	<b>52</b>	<b>177</b>	<b>13,237</b>	<b>8912</b>

Note:

(1) Represented by Prof. José B. Terceiro Lomba

(2) From 25.07.11

(3) From 24.10.11

The Appointments and Remunerations Committee, in the exercise of the duties conferred thereupon, periodically reviews the policy of remuneration of the Board of Directors, updating it with proposals deemed relevant both with regards to concepts as well as to amounts.



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## Reference benchmarks and bases for the annual variable remuneration system (or Bonus)

As regards the ongoing financial year, the criteria for determining the variable part of the remuneration for executive board members will be based on the following:

- Market references based on the information provided by top world consultants on remuneration.
- The essential reference for the variable annual remuneration will be the evolution of earnings after tax (EAT) and gross cash flows / EBITDA, whether for Abengoa in general or, for executive board members holding non-general responsibilities, commensurate with the degree of responsibility.
- When the financial year ends, other qualitative elements, which may vary from one year to another, and which may allow the modulation of the decision on the actual amount of the variable remuneration at that moment, will be considered together with this basic quantitative element.

## The company's remuneration policy approved for the Board of Directors

The Board of Directors of Abengoa, S.A. have agreed to maintain the 2012 financial year remuneration policy in line with that of the preceding 2011.

The remuneration policies for future financial years, which will still contain fixed and variable components, shall consider market studies done by first rate consultancies specialized in compensation.

## Approval of this report

This Report was approved by the Board of Directors of Abengoa SA in its session held on 23rd January 2011, on the proposal of the Appointments and Remunerations Committee. y Retribuciones.