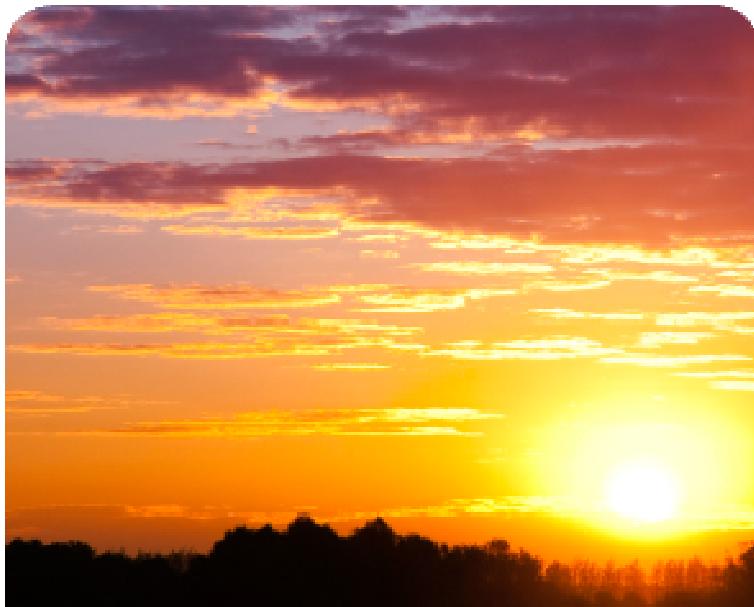


03

## Consolidated management report



## 2011 Consolidated management report

### 1.- Organizational structure and activities

Abengoa, S.A. is a technology company, and the head of a group of companies, which at the end of 2011 comprised the following

- The holding parent company itself.
- 568 subsidiaries.
- 16 associates and 33 joint businesses as well as certain companies of the Group being involved in 224 temporary joint ventures. Furthermore, the Group's companies have shareholdings of less than 20% in other entities.

Independent of the legal structure, Abengoa is managed as outlined below.

Abengoa is an international company that applies innovative technology solutions for sustainability development in the energy and environment sectors, generating energy from the sun, producing biofuels, desalinating sea water and recycling industrial waste. The company carries out engineering projects under a "turnkey" format and operates assets that generate renewable energy, produce biofuel, manage water resources, desalinate sea water, treat waste water and recycle industrial waste.

The Group has three main business activities (Engineering and Construction, Concession-type Infrastructures and Industrial Production).

Abengoa's activities are focused on the energy and environmental sectors, and integrate operations throughout the value chain including R&D+i, project development, engineering and construction, and operations and maintenance of its own assets and for third parties.

Abengoa's business is organized into the following three activities:

- Engineering and construction: includes our traditional engineering activities in the energy and water sectors, with more than 70 years of experience in the market and the development of solar-thermal technology. Abengoa specializes in carrying out complex turn-key projects for solar-thermal plants, solar-gas hybrid plants, conventional generation plants, biofuels plants and water infrastructures, as well as large-scale desalination plants and transmission lines, among others.
- Concession-type infrastructures: groups together the company's proprietary concession assets that generate revenues governed by long term sales agreements, such as take-or-pay contracts, tariff contracts or power purchase agreements. This activity includes the operation of electricity (solar, cogeneration or wind) generation plants and transmission lines. These assets generate low demand risk and we focus on operating them as efficiently as possible.
- Industrial production: covers Abengoa's businesses with a high technological component, such as biofuels and industrial waste recycling. The company holds an important leadership position in these activities in the geographical markets in which it operates.

### 2.- Strategy

Once again the global economy and the Eurozone in particular had a difficult year in 2012. At Abengoa however, our innovative technology solutions for sustainable development have enabled us to maintain sustainable and recurrent growth. The protracted nature of the global crisis has had a negative impact on the global fight against climate change, but it continues to be a pressing issue for humanity, which is increasingly looking to advances in renewable energy. At the same time, the high risks associated with nuclear energy, the formidable costs of a foreign energy dependency and the environmental impacts of fossil energy have once again highlighted the importance of tackling the major challenges of sustainability and renewable energy development.

The 2012 report by the International Energy Agency predicts that around 31% of electricity will be generated from renewable sources by 2035 and that demand for biofuels, mainly second-generation bioethanol, will triple. Desalination and water reuse will be decisive factors in ensuring society's access to this primary resource. All of this comes together in the vital role that renewable energy must fulfil and lays the foundations for Abengoa to become one of the leading players in global energy development and environmental improvements that will benefit future generations.

The ongoing creation of knowledge and a commitment to technological innovation form the basis of our competitive advantage in the energy and environment sectors. This has led Abengoa to become a major scientific and technological forum and a privileged space for training professionals in R&D+i.

Abengoa Research (AR), the research institute that we launched in 2011, is making highly significant progress in areas such as the production and storage of solar and marine energy; the development of energy vectors such as hydrogen and bioethanol; the creation of new technologies for recycling waste; desalination; and the reuse of water from industry and other sources.

We are carrying out the scheduled investments in our strategic plan and arranging financing for the corresponding projects. Abengoa's projects map has grown in 2012 to encompass countries such as Oman, Turkey, Ghana and South Korea, and it has consolidated its leadership position in countries such as Brazil, USA and Germany.

Demand for Abengoa's products and services continue to rise, since we are a global company that specializes in dynamic sectors. In 2012 we recorded a 10% rise in sales to €7,783 M compared to 2011, which is also reflected in our results with a 13% increase in EBITDA to €1,246 M.

The new Class B share issue and the conversion rights of Class A shares into Class B shares have been key elements in providing Class B shares with sufficient liquidity to be included in the IBEX 35 and for a potential listing on the NASDAQ. The support of the General Shareholders' Meeting in September last year regarding the proposal to split Class A shares into Class B shares has encouraged us to continue working in the same direction.

Last year the company successfully refinanced €1,663 M of its long-term syndicated bank debt. Corporate net debt at the end of 2012 was 1.8 times corporate EBITDA, totaling €1,409 M, while total net debt, including non-recourse financing primarily associated with our concessions, was 6.6 times consolidated EBITDA, at €8,282 M. We ended the year with a cash position of €3,451 M, which will allow us to confidently meet our investment and debt commitments scheduled for 2013.

In 2013 we intend to continue to grow and strengthen our financial structure.

## Engineering and construction

Sales in this area grew by 19% to €4,512 M. At the end of the year the order book totaled €6,679 M.

In the USA, Abengoa will carry out the engineering, development and start-up of one of the largest photovoltaic plants in the world, in California, while the works on the solar-thermal plants in Arizona and the Mojave Desert are progressing satisfactorily.

We have also been selected to construct the largest combined cycle plant in Poland, transmission lines in Latin America and Australia, and new desalination plants in the Middle East and North Africa.

## Concession-type infrastructures

At the end of 2012 we had generated more than 4,324 GWh of energy in solar, hybrid and cogeneration plants, as well as starting-up six new plants with an installed capacity of 300 MW. We have produced 97.435 billion liters of desalinated water, after new plants in Algeria and China came into operation.

The total capacity installed and under construction of our power plants in the USA, Abu Dhabi, South Africa, Algeria, Mexico, Brazil, Uruguay, Spain, India and Holland totals 2,432 MW. We are also currently developing new desalination plants in Algeria and Ghana, and various electricity transmission lines in Brazil, Peru and Chile.

## Industrial production

The construction in Kansas (USA) of the first industrial plant to produce second-generation ethanol using Abengoa's proprietary technology and the development of the first bio-refinery pilot plant in Salamanca (Spain) are examples of our research from recent years becoming reality, as well as demonstrating our technological leadership in this sector. Furthermore, in addition to biofuels, our industrial recycling activity also continues to grow, with sales of €2,798 M and EBITDA of €215 M.

## Diversification and growth

Our growth model is based on the simultaneous management of businesses with different profiles and characteristics, which we refer to as our "three horizons". We invest the cash flows from our traditional activities into growing our emerging businesses and we have numerous options for the future that will evolve through to maturity. Asset rotation is part of our business model.

Our options for the future are Abengoa Water, Abengoa Hydrogen, Abengoa Seapower and Abengoa Energy Crops, in addition to numerous technological opportunities that Abengoa Research and the business groups obtain from their research.

The company's international activities account for 75% of total sales, with Latin America representing 27%, Asia 4%, Europe 15%, Africa 3% and the USA 26%.

## Human capital, employment and innovation

At Abengoa we understand that the future depends on the creativity of the present, which in turn depends on the training and performance of all the people that form part of the company, which in 2012 totaled more than 26,000 people, an increase of 19% compared to the previous year. In 2012 we invested more than 1.7 million hours in training and we launched joint programs with acclaimed universities in every country where we are present.

Abengoa also increased its number of patent applications to 203 and was recognized as the leading Spanish company in the international patent applications ranking. These achievements are due to the efforts of the team comprising 747 company researchers, as well as investment in R&D+i projects totaling €91.3 M.

## Auditing

Once again this year, our internal control system underwent an independent evaluation process in accordance with the PCAOB auditing standards. Our Annual Report incorporates five independently verified reports covering the following areas: Financial Statements, the SOX-based (Sarbanes Oxley) internal control system, Corporate Social Responsibility, Corporate Governance, and the design and application of the company's Risk Management System in compliance with ISO 31000 specifications.

## Sustainable development

As companies we have an obligation to ensure that our actions contribute to economic development and social progress. The sustainable and responsible policies that we apply to these activities reduce the risks and the social and environmental impacts of man's actions, and strengthen our corporate governance and relations with stakeholders, demonstrating that we are a reliable, profitable and secure company. They also contribute to developing the communities where we are present through the People, Education and Communities Program (PEyC).

Abengoa's social actions, in which more than €10 M was invested this year, are channeled via the Focus-Abengoa Foundation.

We use the Corporate Social Responsibility Report, prepared in accordance with the principles of the Global Reporting Initiative (GRI) and the AA1000 sustainability assurance standard, to inform all our stakeholders of our social, environmental and financial performance during 2012, as well as the objectives, challenges and areas for improvement that we will work on during the coming year.

We provide the Corporate Social Responsibility e-mail address ([rsc@abengoa.com](mailto:rsc@abengoa.com)), our website ([www.abengoa.com](http://www.abengoa.com)), our twitter profile and our corporate blog ([blog.abengoa.com](http://blog.abengoa.com)) to help us continue to improve through your contributions and to achieve our objectives in relation to sustainable development.

### 3.- Business trends

#### 3.1. Recent trends

**3.1.1.** Movements in the main items on the Balance Sheet and the Income Statement are as follows:

Concept	2012	Δ%	2011	2002	CAGR (*) (01-12)
Total equity	1,832	6	1,726	311	19
Total assets	20,545	10	18,794	2,311	24
Revenues	7,783	10	7,089	1,522	18
Ebitda (**)	1,246	13	1,103	175	22
Profit attributable to the parent company	125	(51)	257	43	11

(\*) CAGR: Compound Annual Growth Rate.

(\*\*) Earnings before interest, tax, depreciation and amortisation.

**3.1.2.** Balance sheet. An increase in "Project Fixed Assets", which totaled €10,058 M in 2012, primarily comprised of intangible assets, reflects investments made in certain concessions in Brazil, and investments in water management projects, environmental projects and plants and production installations for bioethanol and solar power by the various project development companies owned by the various subsidiaries of Abengoa, S.A.

The investments made by these development companies are generally executed and financed through "project finance"; a specific financing formula through which funds are raised exclusively to finance that entity and the project, with debt repayments being made directly from the future cash flows generated by that same project. This financing is ring-fenced, and is therefore without recourse to shareholders.

The opposite entry to these investments is recognized as a liability within the balance sheet, as "Non-recourse financing applied to projects", which at the close of 2012 totals €6,386 M in non-current liabilities and €589 M under the corresponding short-term heading.

Net equity increased 6% to €1,832 M, primarily due to results for the year and the increase in non-controlling interests in transmission line projects in Brazil.

Abengoa's net debt in 2012 reached €1,409 M (net debt position) compared to €120 M (net corporate debt) for 2011.

The change in the size and structure of the Abengoa balance sheet over the last five years reflects certain events, of which the most significant are as follows:

- a) During 2008 the contracting of four own projects continued, being four solar thermal plants (PS 20, Solnova 1, Solnova 3 and Solnova 4), and 3 ethanol plants (Rotterdam, Indiana and Illinois).
- b) The 20 MW thermo-solar plant with PS 20 Tower Technology was commissioned in 2009.
- c) Also in 2009, Abengoa accessed the capital markets through two bond issues for a total of €500 M.
- d) Three new ethanol plants (Rotterdam, Indiana and Illinois) and three new solar-thermal plants (Solnova 1, Solnova 3 and Solnova 4) came into operation in 2010.
- e) In addition, approximately €1,200 M of bonds were issued in 2010.
- f) On 5 September 2011, Abengoa, S.A. closed an agreement with Schneider Electric, S.A. for the sale of 40% of its shares in Telvent GIT, S.A. The sale of these shares brought in cash flow of €391 M and income of €91 M recorded under the section "Income Statement of the Fiscal Year Originating from Interrupted Activities Net of Taxes" of the Consolidated Income Statement.

- g) On 30 November 2011, Abengoa, S.A. closed an agreement with Compañía Energética Minas Gerais (CEMIG) through Transmissora Aliança de Energia Eléctrica, S.A. (TAESA) for the sale of 50% shares in the companies STE, ATE, ATE II and ATE III, and 100% in NTE. The sale of these shares generated cash of €479 M and profit of €45 M recorded in the section "Other Operating Income" in the Consolidated Income Statement (€43 M after tax).
- h) On 4 October 2011, Abengoa, S.A. reached an investment agreement with First Reserve Corporation (through a specific affiliate) hereinafter, First Reserve or FRC, a US Investment Fund specialized in private equity and investment in the energy sector, by virtue of which it made a commitment to invest €300 M in Abengoa's share capital under the terms and conditions set forth in an investment agreement.
- i) On 16 March 2012, the company reached an agreement with Compañía Energética Minas Gerais (CEMIG) to sell the 50% stake that Abengoa S.A. still owned in four transmission line concessions in Brazil (STE, ATE, ATE II and ATE III). On July 2, we received €354 M in cash corresponding to the total price agreed for the shares. The gain from this sale totaled €4 M and is recorded in "Other operating income" in the Consolidated Income Statement.

**3.1.3.** Consolidated sales as of December 31, 2012 totaled €7,783 M, representing an increase of 10% over the last period.

Concepto	Ventas		Ebitda	
	2012	2011	2012	2011
<b>Engineering and construction</b>				
Engineering and construction	4,055	3,526	514	438
Technology and other	457	281	210	93
<b>Total</b>	<b>4,512</b>	<b>3,807</b>	<b>724</b>	<b>531</b>
<b>Concession-type infrastructure</b>				
Solar	314	131	226	93
Transmisión lines	81	238	53	193
Water	42	21	28	10
Cogeneration	36	37	-	3
<b>Total</b>	<b>473</b>	<b>427</b>	<b>307</b>	<b>299</b>
<b>Industrial production</b>				
Biofuels	2,138	2,225	91	152
Recycling	660	630	124	121
<b>Total</b>	<b>2,798</b>	<b>2,855</b>	<b>215</b>	<b>273</b>
<b>Total</b>	<b>7,783</b>	<b>7,089</b>	<b>1,246</b>	<b>1,103</b>

EBITDA (Earnings before interest, tax, depreciation and amortization) rose by €143 M (13%) to €1,246 M compared to 2011.

The profit attributable to Abengoa's parent company decreased by 51% from €257 M in 2011 to €125 M in 2012. Excluding the results derived from the sale of transmission lines in Brazil, the impact of the sale of Telvent in 2011 and derivatives mark-to-market valuations, from both periods, the organic results would have increased by 9%.

- 3.1.4.** In 2012, Abengoa continued increasing its foreign activities in volume and in diversification. Of the €7,083 M consolidated sales for 2012, €5,805 M (75%) is from international or external sales. Activity in Spain amounts to €1,979 M (25%) compared to €1,932 M for 2011 (27%).

Geographical region	For the year ended 12.31.12	%	For the year ended 12.31.11	%
- USA	2,017,485	25.9	1,345,982	19.0
- Latin America (except Brazil)	1,044,326	13.4	771,043	10.9
- Brazil	1,027,844	13.2	1,471,670	20.8
- Europe (except Spain)	1,182,256	15.2	1,082,813	15.3
- Other countries	532,605	6.9	484,876	6.8
- Spain	1,978,752	25.4	1,932,773	27.3
<b>Consolidated Total</b>	<b>7,783,268</b>	<b>100</b>	<b>7,089,157</b>	<b>100</b>
Outside Spain amount	5,804,516	74.6	5,156,384	72.7
Spain amount	1,978,752	25.4	1,932,773	27.3

- 3.1.5.** The following table shows the average number of employees for the various periods:

Categories	Average number of employees in 2012		% Total	Average number of employees in 2011		% Total
	Female	Male		Female	Male	
Directors	76	583	2.5	86	594	2.8
Management	391	1,724	8.1	382	1,979	9.5
Engineers	1,108	2,485	13.7	1,124	2,911	16.4
Asistants and professional	1,255	1,904	12.1	1,353	2,039	13.8
Operators	975	15,640	63.6	919	13,218	57.5
<b>Total</b>	<b>3,805</b>	<b>22,336</b>	<b>100</b>	<b>3,864</b>	<b>20,741</b>	<b>100</b>

## 4.- Anticipated future trends of the group

- 4.1.** To estimate the outlook for the Group, it is important to take into account the evolution and development achieved in recent years, which forms the basis of the company's growth prospects in the medium term. The Group's strategy in the medium term is based on the growing contribution of the activities linked to the markets for the environment, renewable fuels (bioenergy), solar power and the ongoing development of the engineering and construction activities.
- 4.2.** Furthermore, the strengthening of Abengoa's capacity in the environmental services market through Befesa Medio Ambiente, S.A.; a greater bioethanol production capacity, as well as the development of the solar business will all contribute to boosting the company's long-term outlook. In so far as it achieves its current forecasts, Abengoa has new activity base that will offer stability and continuity in the coming years.
- 4.3.** With its current reserves, taking into account the improved flexibility of the organizational structure, the specialization and diversification of activities, and the investment opportunities identified in the domestic market and the company's competitiveness in the international market, as well as the exposure of part f its activities to the sale of commodities and non-Euro currencies, the Group is clearly in a position to continue making positive progress in the future.

## 5.- Management of financial risk

Abengoa's activities undertaken through its operations segments are exposed to various financial risks:

- Market risk: The company is exposed to market risk such as the movement in foreign exchange rates, interest rates and commodities prices. To hedge such exposure, Abengoa uses currency forward contracts, options and interest rate swaps as well as futures contracts for commodities. The Group does not generally use derivatives for speculative purposes.
- Credit risk: Trade debtors and other receivables, financial investments and cash equivalents are Abengoa's main financial assets and therefore present the greatest exposure to credit risk in the event that third parties do not fulfill their obligations.
- Liquidity risk: Abengoa's financing and liquidity objectives are to ensure that the company has sufficient funds available on an ongoing basis to honor all upcoming financial commitments and obligations.

Abengoa's risk management model aims to minimize any potential adverse effects on the Group's financial returns.

Abengoa's risk management is the responsibility of the Group's Corporate Finance Department in accordance with the internal rules and procedures which are in force and strictly applied. This department identifies and evaluates the financial risks in close collaboration with each of the business units. The internal procedures provide written policies for the management of overall global risk, as well as for specific areas such as exchange rate risk, credit risk, interest rate risk, liquidity risk, the use of hedging instruments and derivatives and the investment of excess cash.

For further information see Note 4 within the notes to these Annual Consolidated Financial Statements.

## 6.- Information on research and development (R&D) activities

**6.1.** Abengoa has continued to increase its efforts in R&D+i (research, development and innovation) throughout 2012 (despite the ongoing global technology crisis), in the belief that these efforts require continuity which should not be compromised by crises or economic cycles if it is to achieve results.

Furthermore, the Group has strengthened its presence and in some cases its leadership, in various institutions and public and private forums which encourage cooperation between large technology companies, in which the short and long term future of the R&D+i activity is decided.

**6.2.** The established program for these types of activities has been largely achieved. Abengoa, thanks to those responsible for this strategy in each business area, has strived every day to innovate its technology as demanded by its activities, primarily focusing on the following objectives:

- Continuously and closely following the technologies which could affect each area of the business.
- Selection of a portfolio of technologies that will maximize the competitive advantages of the Group.
- The assimilation and implementation of technology available through transfer agreements.
- Selecting the optimum path for the development of technologies.
- Determining the marketing programs for the technology developed.
- Support for innovation and technology from institutions/governments.

During 2012, Abengoa made significant Research, Development and Innovation (R&D&i) investment efforts, investing a total of €91,260 thousand (€90,630 thousand in 2011) through the development of new technologies in different areas of business (solar technology, biotechnology, desalination, water treatment and reuse, recycling, hydrogen, energy storage and new renewable energies).

**6.3.** The year 2012 has been essential to consolidate Abengoa Research in the commitment of the Company for the technological development and innovation. Abengoa Research works, included within Abengoa activities of energy and environment consists in research to generate knowledge, consultancy in complex technical problems and long-term technological development. In order to strengthen this activity, in 2012 the Office of patents and technological surveillance has been created, as a fundamental tool for industrial property protection of the Company. Currently, Abengoa has 78 patents registered and 125 patents under request process.

The strategic technologies of the company also experienced an important progress: the main development asset stem from technologies interred for higher performance of concentrated solar power plants (CSP), for biorefineries, for the treatment of municipal solid wastes (MSW) for energy production, and for water treatment plants.

Most relevant R&D projects carried out during the year 2012 have been, in the thermo-solar technology field, Solugas project, which is a demonstration tower plant with hybrid solar-gas technology. Its construction was finalized in May and it has been in operation since then. In addition, investments have been made to improve direct steam generation plants and in new materials for energy accumulation. In the biofuels segment, we can outline the construction of a pilot plant that produces bioethanol using municipal solid wastes (MSW) as raw material. In this plant, different types of MSWs will be tested, in order to adapt technology to different geographies. Additionally, the construction of a pilot plant for the production of biobutanol has been started. This new technology has the advantage that it can use assets and equipment already existing in Abengoa, with no need of additional capital expenditures. Regarding zinc recycling business, investments were made to develop a new technology that permits to recover the zinc which is retained in the slag within the recycling process, improving the product recovery ratio. In the desalination program, we have continued improving efficiency, especially by reducing costs of membranes which are necessary for the reverse osmosis process.

## 7.- Information on the environment

The principles of the environmental policies of Abengoa are based on compliance with the current legal regulations applicable, preventing or minimizing damaging or negative environmental consequences, reducing the consumption of energy and natural resources, and achieving ongoing improvement in environmental conduct.

In response to this commitment to the sustainable use of energy and natural resources, Abengoa, in its Management Rules and Guidelines for the entire Group, explicitly establishes the obligation to implement and certify environmental management systems in accordance with the ISO 14001 International Standard.

Consequently, by year-end 2012, the percentage of Companies with Environment Management Systems certified according to the ISO 14001 Standard per sales volume is 92.84% (80.52% in 2011).

The table below lists the percentage of distribution of the Companies with Certified Environmental Management Systems, broken down by business unit:

Business Unit	ISO 14001-Certified Companies (% of Revenue)
Engineering and Construction	98.15%
Industrial Production	87.38%
Concession-type Infrastructure	97.30%

## 8.- Stock exchange information

According to the figures provided to the company by Bolsas y Mercados Españoles, 669,651,002 Class A shares and 77,035,291 Class B shares were traded in 2012, equivalent to an average daily volume of 2,615,002 and 1,674,680 Class A and B shares respectively; and an average traded value of €6.7 M and €3.6 M per day, respectively.

The closing price of Abengoa's shares in 2012 was €2.389 for Class A shares, a 27% decrease on the closing price for the previous year, and €2.340 for Class B shares, 14% below the IPO price in October 2012.

Minimum, maximum and average listed A-share prices in 2012 were €1.827 (May 31st), €3.586 (October 3rd) and €2.548, respectively. Minimum, maximum and average listed B-share prices were €1.760 (December 19th), €2.744 (October 29th) and €2.191, respectively.

## 9.- Information on own equity instruments

- 9.1.** Abengoa, S.A. and its subsidiaries have complied with all legal requirements regarding companies and treasury stock (see Note 10.1 of this report).
- 9.2.** The parent company has not pledged its shares in any type of mercantile transaction or legal business, nor are any Abengoa, S.A. shares held by third parties which could act on its behalf or on behalf of group companies.
- 9.3.** Certain companies within the Group are contracted into share-based incentive schemes with managers and employees. These schemes are linked to achieving management objectives in the coming years.

Additionally, Abengoa, S.A. has a Share Purchase Plan for managers of the Group, approved by both the Board of Directors and the Extraordinary General Shareholders' Meeting of 16 October 2005.

- 9.4.** Finally, it should be noted that potential reciprocal shareholdings established with Group companies are temporary and comply with the requirements of the consolidated text of the Spanish Capital Companies Act.

For further information see Note 2.17 of the Consolidated Financial Statements.

## 10.- Corporate governance

### 10.1 Shareholding structure of the company

#### Significant shareholdings

The share capital of Abengoa, S.A. is represented by book entries, managed by Iberclear (Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S. A.) and totals 90,143,938.83 Euros represented by 538,062,690 shares fully subscribed and paid up, with two separate classes:

- 85,619,507 Class A shares with a nominal value of 1 Euro each, all in the same class and series, each of which grants the holder a total of 100 voting rights and which are the Class A shares of the company ("Class A Shares").
- 452,443,183 Class B shares with a nominal value of 0.01 Euros each, all in the same class and series, each of which grants one (1) voting right ("Class B Shares" and, together with Class A shares, "Shares with Voting Rights").

The shares will be represented by book entries and governed by the Stock Market Act and other applicable provisions.

Abengoa's Class A and B shares are officially listed for trading on the Madrid and Barcelona Stock Exchanges and on the Spanish Stock Exchange Interconnection System (Continuous Market). Class A shares have been listed since 29 November 1996 and Class B shares since 25 October 2012. The company files mandatory financial information on a quarterly and half-yearly basis.

In December 2007, Abengoa was selected by the Technical Advisory Committee of Ibex35 to enter and form part of this index as of 2 January 2008, a listing which has been maintained throughout 2009. The inclusion was the result of the periodic review of listed companies carried out by the Committee takes into consideration the company's capitalization as well as the volume of trading and the sector in which the company operates. At present the Class A shares are listed on the continuous market while the Class B shares are part of the Ibex 35. The Ibex 35 is the most followed index in Spain by national and international investors. The index groups together the 35 companies with the highest market capitalization and volume of trading.

The latest changes to the share capital were agreed by the Extraordinary General Shareholders' Meeting of Abengoa held at second call on 30 September 2012, which approved a capital increase against reserves via the issue of Class B shares with a par value of €4,304,501.52, issuing a total of 430,450,152 Class B shares, charged against voluntary reserves in a ratio of four (4) newly issued Class B shares for every one Class A or Class B share in circulation. For the purposes of this capital increase, four Class B shares were freely assigned to Abengoa's shareholders that held at least one Class A or Class B share in circulation. At the same time, the company applied to list all the issued Class B shares for trading, which were officially listed on the Madrid and Barcelona stock exchanges and on the Spanish Stock Exchange Interconnection System (SIBE, continuous market) on 25 October 2012. This transaction ensured a minimum level of liquidity for Class A shares, while also guaranteeing sufficient liquidity for Class B shares as a means for obtaining capital at the lowest possible cost, which was the ultimate objective. The Extraordinary General Shareholders' Meeting therefore approved a voluntary conversion right of Class A shares into Class B shares, which will end on 31 December 2017.

As a result of the execution of the voluntary conversion right established in Article 8 of the bylaws, Abengoa carried out a capital reduction of six hundred and thirty thousand eight hundred and seventy nine euros and forty eight cents (€630,879.48) on 22 January 2013, by reducing the par value of six hundred and thirty seven thousand two hundred and fifty two (637,252) Class A shares from one (1) euro per share to one euro cent (€0.01) per share, by creating a restricted reserve in accordance with Article 335 c) of the Spanish Capital Companies Act (LSC).

Since the capital is represented by book entry, there is no shareholder register other than the disclosures of significant shareholdings and the X-25 list, which was last requested for the Extraordinary Shareholders' Meeting held on 30 September 2012. According to the information received, the situation is as follows:

Shareholder	% of share capital
Inversión Corporativa IC, S.A. (*)	52.19%
Finarpisa, S.A. (*)	6.31%

(\*) Inversión Corporativa Group

The number of registered shareholders according to the list provided by Iberclear (Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.) on 26 September 2012 for the Extraordinary General Shareholders' Meeting held on 30 September 2012, is 15,375 shareholders.

With regards to shareholder agreements, Inversión Corporativa IC and Finarpisa, as shareholders of Abengoa, signed an agreement on 10 October 2011, within the framework of the investment agreement between Abengoa and First Reserve Corporation, effective from 7 November 2011, which governs the exercising of their respective rights to vote in Abengoa's general meetings in relation with the proposal, appointment, ratification, reelection or substitution of a director to represent First Reserve Corporation.

Under the terms of this agreement, Inversión Corporativa I.C., S.A. and Finarpisa, S.A. jointly and severally agree to:

- (i) Vote in favor of the following, through their respective shareholder directors on Abengoa's Board of Directors:
  - (a) to appoint as a member of the Board, the candidate proposed to be the investor's nominee pursuant to the co-optation procedure established under the Spanish Capital Companies Act; and
  - (b) the proposal to recommend to Abengoa's shareholders the election of any replacement director as the investor's nominee on the Board of Directors, at Abengoa's next general shareholders' meeting;
- (ii) Vote, at the corresponding general shareholders' meeting of Abengoa, in favor of the appointment of the candidate proposed by the investor to be its nominee on the Board of Directors; and
- (iii) while the investor or any of its related companies owns Abengoa Class B shares or any other instrument that is convertible or exchangeable into Abengoa Class B shares issued in accordance with the investment agreement or any other document of the transaction, they may not propose nor request the Board of Directors to recommend to shareholders any modification to the company's bylaws that adversely affects the equality of rights of Class B shares and Class A shares in relation to the distribution of dividends or similar distributions as established in bylaws.

On 27 August 2012, Inversión Corporativa, I.C., S.A. and its subsidiary Finarpisa, S.A. modified the shareholder agreement with the Abengoa shareholder, First Reserve Corporation (which was subject to disclosure to the CNMV by means of the significant event filed on 9 November 2011).

The modification consisted of the following: To the current obligation that, "while FRC or any of its related companies own Abengoa Class B shares or any other instrument that is convertible or exchangeable for Abengoa Class B shares issued in accordance with the investment agreement or any other document of the transaction, they may not propose nor request the Board of Directors to recommend to shareholders any modification to the company's bylaws that adversely affects the equal rights of Class B and Class A shares in relation to the distribution of dividends or similar distributions as established in the bylaws", it was added that, "If this proposal were to be presented by another shareholder, or by the Board of Directors, they will vote against it".

On 27 August 2012, Abengoa, S.A. signed a shareholder agreement with its significant shareholder, Inversión Corporativa, I.C., S.A., through which the latter agreed to the following, directly or indirectly through its subsidiary Finarpisa S.A.:

- (i) To vote in favor of the resolutions relating to points 2, 3, 4, 5, 6 and 7 of the agenda of the General Shareholders' Meeting held on 30 September 2012, provided that it had previously verified that these resolutions were approved by the majority of Class A shareholders, excluding Inversión Corporativa;
- (ii) Not to exercise its voting rights, except up to a maximum of 55.93% in cases in which, as a result of the exercising of the conversion right of Class A shares into Class B shares that is expected to be included in the company's bylaws, the total percentage of voting rights that it holds of the total voting rights of the company is increased;
- (iii) That the percentage represented at any given time by the number of shares with the right to vote that it owns (whether Class A or Class B shares) of the total shares of the company, will not at any time be less than one quarter of the percentage represented by the voting rights that these shares attribute to Inversión Corporativa, in relation to the total voting rights of the company (in other words, that its voting rights cannot exceed four times its financial rights); and that, should this occur, it shall dispose of sufficient Class A shares or shall convert them into Class B shares in order to maintain this ratio.

In accordance with Article 19 and following articles of the company's bylaws, there are no limits on the voting rights of shareholders in relation to the number of shares which they hold. The right to attend the shareholders' meeting is limited however to those shareholders that hold 375 Class A or Class B shares.

Meeting quorum: 25% of the share capital at first call. Any percentage at second call. These are the same percentages as the Capital Companies Act. In those cases stated in Article 194 of the Act (hereinafter the "LSC"), the quorum is as stated in the Act.

Resolution quorum: by a simple majority vote by those present or represented at the meeting. In those cases stated in Article 194 of the LSC, the quorum is as stated in the Act.

Shareholders' rights: Shareholders have the right to information, in accordance with the applicable legislation; the right to receive the documentation related to the shareholders' meeting, free of charge; the right to vote in proportion to their shareholding, with no maximum limit; the right to attend shareholders' meetings if they hold a minimum of 375 shares; financial rights (to dividends, as and when paid, and their share of company's reserves); the right to representation and delegation, grouping and the right to undertake legal actions attributable to shareholders. The Extraordinary General Shareholders' Meeting approved a series of amendments to the bylaws in order to ensure that the "rights of minority interests" are not infringed by the existence of two different share classes with different par values in which the lower nominal value of the Class B shares would make it more difficult to achieve the percentages of share capital required to exercise some of the voting and other non-financial rights. The General Meeting therefore agreed to amend Abengoa's bylaws as explained below in order to ensure that all these rights can be exercised based on the number of shares and not the amount of share capital. These rights, such as the right to call a general meeting or to request a shareholder derivative action, require a certain percentage of the share capital to be held in nominal terms (in these cases, 5%).

Measures to promote shareholder participation: making the documentation related to the Shareholders' Meeting available to shareholders free of charge, as well as publishing announcements of Shareholders' Meetings on the company's website. The option to grant a proxy vote or to vote on an absentee basis is possible by completing accredited attendance cards. In accordance with Article 539.2 of the Capital Companies Act, Abengoa has approved the Regulation on the Shareholders' Electronic Forum in order to facilitate communication between shareholders regarding the calling and holding of each General Shareholders' Meeting. Prior to each general meeting, shareholders may send:

- Proposals that they intend to submit as supplementary points to the agenda published in the notice of the general meeting.
- Requests to second these proposals.
- Initiatives to achieve the required percentage to exercise a minority right.
- Requests for voluntary representation.

The bylaws do not limit the maximum number of votes of an individual shareholder or include restrictions to make it more difficult to gain control of the company through the acquisition of shares.

Proposals of resolutions to be submitted to the Shareholders' Meeting are published along with notice of the meeting on the websites of the company and the CNMV.

Points on the agenda that are significantly independent are voted upon separately by the Shareholders' Meeting, so that voters may exercise their voting preferences separately especially when it concerns the appointment or ratification of directors or amendments to the bylaws.

The company allows votes cast by shareholders' appointed financial representatives that are acting on behalf of more than one shareholder, to be split, so that they may vote in accordance with the instructions of each individual shareholder whom they represent.

There are currently no agreements in effect between the company and its directors, managers or employees that entitle them to severance pay or benefits if they resign or are wrongfully dismissed, or if the employment relationship comes to an end due to a public tender offer.

## Treasury stock

At the Ordinary General Shareholders' Meeting on 10 April 2011 it was agreed to authorize the Board of Directors to acquire the company's treasury stock in the secondary market, directly or through subsidiaries or investee companies, up to the limit as stipulated in the current provisions, at a price of between six euros cents (0.06 Euros) and one hundred and sixty euros and 20 cents (120.60 Euros) per share, being able to do so during a period of 18 months as of the above date and subject to Article 134 and subsequent articles of the Capital Companies Act.

On 19 November 2007, the company entered into a liquidity agreement for Class A shares with Santander Investment Bolsa, S.V. On 8 January 2013, the company entered into a liquidity agreement for Class A shares with Santander Investment Bolsa, S.V., replacing the initial agreement, in compliance with the conditions established in CNMV Circular 3/2007 of 19 December. On 8 November 2012, the company entered into a liquidity agreement for Class B shares with Santander Investment Bolsa, S.V. in compliance with the conditions established in CNMV Circular 3/2007 of 19 December.

As of 31 December 2012, treasury stock totaled 14,681,667 shares, which represents 3.39% of the share capital of Abengoa, S.A. (2,913,435 shares in 2011), of which 2,939,135 are Class A shares and 11,742,532 are Class B shares.

With regards to transactions carried out during the year, the amount of treasury stock purchased amounted to 8,201,391 Class A shares and 15,458,056 Class B shares, which represents 9.27% of the share capital of Abengoa, S.A. while treasury stock sold totaled 8,175,691 Class A shares and 3,715,524 Class B shares, equivalent to 4.66% of the share capital of Abengoa, S.A. with a net result of €961,000 recognized in equity of the parent company (decrease of €2,144,000 compared to 2011).

All the purchases and sales of the company's treasury stock were carried out under the aforementioned liquidity agreements. In addition, the company bought back 30,700 Class A shares in relation to the management's share purchase plan, in order to partially cancel it.

## Details of the latest Shareholders' Meetings

The Ordinary General Shareholders' Meeting of Abengoa was held at second call on 1 April 2012, attended by shareholder representing 58,439,880 shares, equivalent to 64.474% of the share capital.

The following resolutions were passed:

One. Examine and, if applicable, approve the financial statements and the management report for 2011 of the company and of its consolidated group, as well as the management and remuneration of the Board of Directors during the same year. A total of 5,843,988,000 valid votes were cast in this resolution from 58,439,880 shares representing 64.474% of the share capital, of which 5,819,818,900 votes were in favor, 4,948,700 against and 19,220,400 abstentions.

Two. Examine and, if applicable, approve the proposal for the appropriation of earnings for 2011. A total of 5,843,988,000 valid votes were cast in this resolution from 58,439,880 shares representing 64.474% of the share capital, of which 5,681,303,400 votes were in favor, 2,625,600 against and 160,059,000 abstentions.

Three. Ratify, appoint and re-elect directors, as appropriate. In resolution three, paragraph 1, a total of 5,843,988,000 valid votes were cast from 58,439,880 shares representing 64.474% of the share capital, with 5,822,946,700 votes in favor, 20,930,000 against and 111,300 abstentions. In resolution three, paragraph 2, a total of 5,843,988,000 valid votes were cast from 58,439,880 shares representing 64.474% of the share capital, with 5,822,921,400 votes in favor, 20,955,300 against and 111,300 abstentions. In resolution three, paragraph 3, a total of 5,843,988,000 valid votes were cast from 58,439,880 shares representing 64.474% of the share capital, with 5,590,762,100 votes in favor, 253,114,600 against and 111,300 abstentions.

Four. Re-elect or appoint, as appropriate, the accounts auditor for the company and its consolidated group. A total of 5,843,988,000 valid votes were cast in this resolution from 58,439,880 shares representing 64.474% of the share capital, with 5,834,491,500 votes in favor, 9,412,000 against and 84,500 abstentions.

Five. Modification of the regulations of the General Shareholders' Meeting (adaptation to Law 25/2011). A total of 5,843,988,000 valid votes were cast in resolution five from 58,439,880 shares representing 64.474% of the share capital, with 5,843,988,000 votes in favor, 0 against and 0 abstentions.

Six. Special report issued on the directors' remuneration policy submitted for consultation purposes to the Shareholders' General Meeting. A total of 5,843,988,000 valid votes were cast in resolution six from 58,439,880 shares representing 64.474% of the share capital, with 5,567,391,400 votes in favor, 276,596,600 against and 0 abstentions.

Seven. Grant the Board of Directors the authority to increase the share capital by issuing new shares of any of the A and/or B and/or C classes, pursuant to Article 297.1 b), within the limits of the law, with the specific power to impose the exclusion of pre-emptive right in accordance with Article 506 of the Capital Companies Act, voiding the amount that remained from previous authorizations granted by the General Shareholders' Meeting. Granting the Board of Directors and each of its members the authority to establish the conditions of the capital increase, to take all the actions deemed necessary for the execution thereof, to re-write the relevant articles of the bylaws to adapt them to the new amount of the share capital and to execute those public or private documents that may be necessary to implement the increase. To apply to the competent national and foreign authorities to admit the new shares to trade on any stock market. A total of 5,843,988,000 valid votes were cast in resolution seven from 58,439,880 shares representing 64.474% of the share capital, with 5,560,571,000 votes in favor, 283,416,600 against and 400 abstentions.

Eight. Grant the Board of Directors the authority to issue debentures or other similar fixed income or equity securities that may be simple or guaranteed, convertible and non-convertible into shares, with the specific power to impose the exclusion of pre-emptive rights in accordance with Article 511 of the Capital Companies Act, directly or through Group companies, in accordance with the prevailing laws, and voiding the amounts that remained from previous empowerments granted by the General Shareholders' Meeting. A total of 5,843,988,000 valid votes were cast in resolution eight from 58,439,880 shares representing 64.474% of the share capital, with 5,568,786,700 votes in favor, 244,132,600 against and 31,068,700 abstentions.

Nine. Grant the Board of Directors the authority to acquire treasury stock in the secondary market, directly or through group companies, pursuant to current legislation, voiding all previous authorizations granted by the General Shareholders' Meeting for such purposes. A total of 5,843,988,000 valid votes were cast in resolution nine from 58,439,880 shares representing 64.474% of the share capital, with 5,596,874,600 votes in favor, 228,495,400 against and 18,618,000 abstentions.

Ten. Grant the Board of Directors the authority to interpret, rectify, execute, formalize and register the adopted resolutions. A total of 5,843,988,000 valid votes were issued in resolution ten from 58,439,880 shares representing 64.474% of the share capital, with 5,843,748,000 votes in favor, 240,000 against and 0 abstentions.

The meeting of the Extraordinary General Assembly of Shareholders of Abengoa was held at second call on 30 September 2012, attended by shareholder representing 89,090,315 shares, equivalent to 79.565% of the share capital.

Pursuant to the bylaws of Abengoa, S.A. and to Article 293 of the Capital Companies Act, the approval of the resolutions outlined in points Three to Seven of the agenda required, in addition to voting by all the shareholders present and represented at the Meeting, the separate voting of the Class A and the Class B shareholders. At the same time, Class A shareholders voted on points Five and Six of the agenda with the participation of the shareholders present and represented with the exception of the shareholders of Inversión Corporativa IC, S.A. and its subsidiary, Finarpisa S.A. who state that they would only vote in favor of the proposals of the Board of Directors in the separate voting of Class A shareholders once it had been verified that the majority of the rest of the attending shareholders voted in favor of the proposals submitted by the Board of Directors. The proposals of the resolutions under points Three to Seven on the agenda are closely interrelated so that these resolutions could only be approved and effective if the preceding resolutions were approved. This system of separate voting (which was disclosed to the CNMV on 1 October 2012) was used to approve all the proposed resolutions, which were the following:

One. Grant the Board of Directors the authority for a period of one (1) year, to issue debentures or other fixed income securities or warrants that may be converted into Class B shares, once or on several occasions, up to a maximum amount of one billion (€1,000M) Euros, notwithstanding the granting of powers approved by the General Meeting on 1 April 2012, in accordance with Article 319 of the regulation of the mercantile registry and the general guidelines on issuing debentures. Grant the authority to set the criteria for determining the bases and formats of the conversion, exchange or exercise of the power to increase the share capital in the amount deemed necessary to meet the corresponding requests for conversion or exercise, specifically granting the Board the power to exclude the pre-emptive subscription rights of shareholders, in accordance with Article 511 of the Capital Companies Act and all other applicable rules and regulations

Two. Ensure that the Class A and the Class B shares and the convertible debentures that the company issued or my issue are admitted for trading on the Stock Exchanges of Madrid and Barcelona, as well as on the Stock Exchanges in the USA. Grant the Board of Directors the authority to do everything necessary for that purpose, including any actions, declarations and procedures with the competent authorities to ensure that the shares or debentures, represented by ADS, if appropriate, are admitted for trading.

Three. Modifications of Articles 21, 23, 24, 28, 31 and 33 of the bylaws to enable certain shareholder rights to be exercised based on the number of shares that a shareholder may hold.

3.1. Modification of Article 21 of the bylaws to reflect that shareholders must possess three hundred and seventy-five (375) shares, whether Class A or Class B shares or a combination of both, to be permitted to attend General Shareholders' Meetings.

3.2. Modification of Article 23 of the bylaws so that shareholders are entitled to request the publication of a supplement to the notice of a General Shareholders' Meeting to include one or more points on the agenda and to submit proposals for resolutions on issues already included or that should be included in the agenda of the called Meeting on the basis of the number of shares held.

3.3. Modification of Article 24 of the bylaws so that the following may be permitted: (i) that based on the number of shares possessed, shareholders with one percent of the shares with voting rights may request the presence of a notary public to take the minutes of the General Meeting; (ii) that shareholders with five percent of the shares with voting rights may request that a General Meeting is called to decide on a shareholder derivative action to be brought against the directors or to take a shareholder derivative action without the agreement of the General Meeting or to take the action against it.

3.4. Modification of Article 28 of the bylaws so that the Board of Directors of the company may call General Shareholders' Meeting at the request of shareholders representing five percent of the company's shares with voting rights.

3.5. Modification of Article 31 of the bylaws so that the Board of Directors of the company may decide to postpone the General Shareholders' Meeting at the request of shareholders representing five percent of the company's shares with voting rights.

3.6. Modification of Article 33 of the bylaws so that the Board of Directors of the company may suspend the right to information as envisaged in Article 197 of the Capital Companies Act at the request of shareholders representing less than twenty-five percent of the company's shares with voting rights.

Four. Modification of Article 8 of the bylaws for the purpose of anticipating the possibility of increasing the share capital using reserves by issuing a single class of shares; and to establish a percentage limit on the redemption rights of Class B shares.

Five. Increase of the share capital by issuing Class B shares using the voluntary reserves. Approval of the balance that may serve as the basis for the increase.

Six. Establishment of a right to voluntarily convert Class A shares into Class B shares, for which the following resolutions shall be submitted to vote:

6.1. Addition of a new sub-section 3 to the first section, "Class A Shares", of Article 8 of the bylaws (such that the current sub-section 3, still with the same wording, unchanged, would now be sub-section 4) in order to introduce a right to voluntarily convert Class A Shares into Class B Shares.

6.2. Reduction of the share capital by reducing the nominal value of a given number of Class A shares, to be specified, by €0.99 per share, by establishing a non-distributable reserve in accordance with the provisions in Article 335 c) LSC, integrating the shares with a reduced nominal value due to their conversion into Class B shares, listing the Class B shares on the stock market and conferring the necessary powers for this process, all of the above for the purpose of permitting the exercise of the right to voluntarily convert Class A shares into Class B shares.

Seven. Modification of Articles 2, 4, 5, 9, 12 and 14 of the Regulations on the functioning of the General Shareholders' Meeting to adapt them to the new text of Articles 21, 23, 24, 28, 31 and 33 of the bylaws which shall be submitted for approval to the General Meeting as point three on the agenda.

7.1. Modification of Articles 2 of the Regulations on the functioning of the General Shareholders' Meeting to adapt it to the new text of Article 21 of the bylaws proposed to the General Assembly as point 3.1 on the Agenda.

7.2. Modification of Article 4 of the Regulations on the functioning of the General Shareholders' Meeting to adapt it to the new text of Articles 23 of the bylaws proposed to the General Assembly as point 3.2 on the Agenda.

7.3. Modification of Article 5 of the Regulations on the functioning of the General Shareholders' Meeting to adapt it to the new text of Articles 24 of the bylaws proposed to the General Assembly as point 3.3 on the Agenda.

7.4. Modification of Article 9 of the Regulations on the functioning of the General Shareholders' Meeting to adapt it to the new text of Articles 28 of the bylaws proposed to the General Assembly as point 3.4 on the Agenda.

7.5. Modification of Article 12 of the Regulations on the functioning of the General Shareholders' Meeting to adapt it to the new text of Articles 31 of the bylaws proposed to the General Assembly as point 3.5 on the Agenda.

7.6. Modification of Article 14 of the Regulations on the functioning of the General Shareholders' Meeting to adapt it to the new text of Articles 33 of the bylaws proposed to the General Assembly as point 3.6 on the Agenda.

Eight. Grant the Board of Directors the authority to interpret, rectify, execute, formalize and register the approved resolutions.

No directors are board members of other listed companies.

In accordance with the register of significant shareholdings that the company maintains, pursuant to the internal code of conduct in relation to the stock market, the percentage shareholdings of the directors in the capital of the company as at December 31, 2012 were as follows:

	No. of direct voting rights	No. of indirect voting rights	% Total
Felipe Benjumea Llorente	-	84,667,544	0.939
Aplicaciones Digitales S.L.	96,284,656	-	1.068
Manuel Sánchez Ortega	21,642,400	-	0.240
José Joaquín Abaurre Llorente	197,600	-	0.002
José Luis Aya Abaurre	5,727,904	-	0.064
Mª Teresa Benjumea Llorente	1,288,560	-	0.014
Javier Benjumea Llorente	404,352	-	0.005
José Borrell Fontelles	312,000	-	0.004
Mercedes Gracia Díez	52,000	-	0.001
Ricardo Martínez Rico	53,352	-	0.001
Claudi Santiago Ponsa	20,800	-	0.000
Ignacio Solís Guardiola	1,768,000	-	0.020
Fernando Solís Martínez-Campos	5,286,528	3,581,760	0.098
Carlos Sundheim Losada	4,890,808	-	0.054
Alicia Velarde Valiente	41,600	-	0.001

## 10.2. Company Management Structure

### The Board of Directors

- Composition: number and identity

Following changes to Article 39 the company's bylaws, as agreed by the Ordinary Shareholders' Meeting held on 15 April 2007, the maximum number of members of the Board of Directors has been set at fifteen, compared to nine established until that time. This modification reinforced the structure of the Board with a number of directors that allows a more diversified composition as well as facilitating the delegation and adoption of resolutions with minimal attendance, thereby ensuring a multiple and plural presence in the Board of Directors.

Maximum number of Board Members	15
Minimum number of Board Members	3

In accordance with the recommendations established in the Unified Code of Good Governance of Listed Companies, the composition of the Board reflects the capital structure. This enables the Board to represent the highest possible percentage of the capital in a stable way and ensures protection of the general interests of the company and its shareholders. The Board is provided, moreover, with a degree of independence in accordance with the practices and professional needs of any company. Its current composition is the following:

Abaurre Llorente	José Joaquín
Aya Abaurre	José Luis
Benjumea Llorente	Felipe
Benjumea Llorente	Javier
Benjumea Llorente	Maria Teresa
Borrell Fontelles	José
Gracia Díez	Mercedes
Martínez Rico	Ricardo
Sánchez Ortega	Manuel
Santiago Ponsa	Claudi
Solís Guardiola	Ignacio
Solís Martínez-Campos	Fernando
Sundheim Losada	Carlos
Terceiro Lomba	José B. (represented by Aplicaciones Digitales, S.L.)
Velarde Valiente	Alicia

The total number of directors is considered to be appropriate to ensure the necessary representation and the effective functioning of the Board of Directors.

Notwithstanding the fact that independence is a condition that must be common to any director, irrespective of the director's origin or appointment, based on the reliability, integrity and professionalism of his or her role, in accordance with the guidelines included under Law 26/2003, in Ministerial Order 3722/2003 and in the Unified Code of Good Governance of Listed Companies, the classification of current directors is as follows:

Felipe Benjumea Llorente	- Executive President - Executive (Vice-President)
José B. Terceiro (en representación de Aplicaciones Digitales S.L.)	- Member of the Audit Committee - Member of the Appointments and Remuneration Committee
Manuel Sánchez Ortega	- Executive. Chief Executive Officer
José Joaquín Abaurre Llorente	- External, weekly assistant - Member of Audit Committee
José Luis Aya Abaurre	- External, weekly assistant - Member of the Appointments and Remuneration Committee
Javier Benjumea Llorente	- External, weekly assistant
Mª Teresa Benjumea Llorente	- External, weekly assistant
José Borrell Fontelles	- Independent - Chairman and member of the Appointments and Remuneration Committee - Member of the Audit Committee
Mercedes Gracia Díez	- Independent - Chairman and member of the Audit Committee - Member of the Appointments and Remuneration Committee
Claudi Santiago Ponsa	- External, weekly assistant
Ignacio Solís Guardiola	- External, weekly assistant
Fernando Solís Martínez-Campos	- External, weekly assistant
Carlos Sundheim Losada	- External, weekly assistant
Ricardo Martínez Rico	- Independent - Member of the Audit Committee
Alicia Velarde Valiente	- Independent - Member of the Appointments and Remuneration Committee - Member of the Audit Committee

As may be seen in the table above, the Board is made up of a majority of external, non-executive directors.

- Organizational and functional rules

The Board of Directors is governed by the Regulations of the Board, the company's bylaws and by the Internal Code of Conduct on Stock Exchange Matters. The Regulations of the Board were initially approved by the Board at a meeting on 18 January 1998, clearly in anticipation of the current rules of good governance and efficient internal control. The most recent update of note took place on 29 June 2003, in order to incorporate matters relating to the Audit Committee as established under the Financial System Reform Act.

- Structure:

The Board of Directors is currently made up of 15 members. The Regulations of the Board cover the composition of the Board, the functions and its internal organization; additionally, there is the Internal Code of Conduct on Stock Exchange Matters, the scope of which covers the Board of Directors, senior management and all those employees who, due to their skills or roles, are also impacted by its content. The Regulations of the Functioning of Shareholders' Meetings cover the formal aspects and other aspects of Shareholders' Meetings. Finally, the Board is supported by the Audit Committee and the Appointments and Remuneration Committee, which in turn are subject to their own respective internal regulations. All these regulations, included within the revised Internal Regulations on Corporate Governance are available on the company's website, [www.abengoa.es/com](http://www.abengoa.es/com).

Since its inception, the Appointments and Remuneration Committee has been analyzing the structure of the company's governing bodies and has worked to align such bodies with regulations in force regarding governance, focusing in particular on the historical and current configuration of such ruling bodies within Abengoa. Consequently, in February 2007 the committee recommended the creation of a Coordination Director, as well as the dissolution of the Advisory Committee to the Board of Directors. The first recommendation was to align the company with the latest corporate governance recommendations in Spain in 2006; the second recommendation reflected that the advisory board had completed the role for which it was established in the first place, and that its coexistence with the remaining company bodies could create a potential conflict of roles. Both proposals were approved by the Board of Directors in February 2007 as well as by the shareholders at the Ordinary General Meeting on 15 April of the same year.

Finally, in October 2007 the Committee proposed to the Board to accept the resignation of Mr. Javier Benjumea Llorente as Vice-chairman, along with the revoking of any powers which had been granted in those entities or companies in which he held a position of responsibility, and the naming of a new representative of Abengoa and the Focus-Abengoa Foundation.

On the basis of the foregoing, the committee decided that it would be opportune to repeat the study on numbers and conditions of the Vice-chairman to the Board of Directors within the current structure of the company's governing bodies.

As a result, the Committee considered it necessary that the Vice-chairman of Abengoa hold the powers as per the Spanish Public Limited Companies Act so that, on the one hand, he or she is granted full representation of the company and to counter-balance the functions of the chairman of the board. On this basis it was considered that the Coordination Director – in accordance with the responsibilities as assigned to the role by the Board of Directors (February 2007) and at the Shareholders' Meeting (April 2007) – was ideal for the role, in addressing the corporate governance recommendations and the structure of the company, as well as the composition and diversity of the directors. The Coordination Director already has the duty to take into account the concerns and goals of the board members and, to achieve this, has the power to call Board meetings and to add items to the agenda. As this role was more in substance than in title, considering the interests of the directors, and conveyed a certain representation of the Board, it was considered appropriate to expand and recognize this representation making it institutional and organic.

For the reasons mentioned, the Committee deemed it appropriate to propose Aplicaciones Digitales, S.L. (Aplidig, represented by Mr. José B. Terceiro Lomba), the current Coordination Director, as the new Vice-Chairman of the Board. Additionally, within the representative duties, it was proposed that the Vice-chairman, in conjunction with the chairman, would represent Abengoa as chairman of the Focus-Abengoa Foundation, as well as for other foundations and institutions in which the company is or should be represented.

In light of the above, on 10 December 2007 the Board of Directors approved the appointment of Aplicaciones Digitales, S. L. (represented by Mr. José B. Terceiro Lomba), the current Coordination Director, as the new Vice-Chairman of the Board, with the unanimous agreement of the independent directors regarding the retention of his role as Coordination Director despite being promoted to an executive board member role. Additionally, within the representative duties, on 23 July 2007 the Board approved that the Vice-chairman, in conjunction with the Chairman, would also represent Abengoa as Chairman of the Focus-Abengoa Foundation Board, as well as for other foundations and institutions in which the company is or should be represented.

The Chairman of the Board, as the leading executive of the company is granted full powers excluding those which by law cannot be assigned by the Board of Directors, notwithstanding the powers and competences of the Board itself. With regards to the Vice-chairman, also an executive role, he or she is granted the same powers as above.

At the proposal of the meeting of the Appointments and Remuneration Committee of 25 October 2010, and due to the resignation as a director of Mr Miguel Martín Fernández due to other professional commitments, the Committee agreed to appoint Mr Manuel Sánchez Ortega as CEO for a period of four years, by co-optation. Mr Manuel Sánchez Ortega shares the executive functions of the company with Mr Felipe Benjumea Llorente.

- Functions:

The role of the Board of Directors is to undertake the necessary actions so as to achieve the corporate objectives of the company. It is empowered to determine the financial goals of the company, agree upon the strategies necessary as proposed by senior management so as to achieve such goals, assure the future viability of the company and its competitiveness, as well as adequate leadership and management, supervising the development of the company's business.

- Appointments:

The Shareholders' Meeting, or when applicable the Board of Directors, within the established rules and regulations, is the competent body for appointing members of the Board. Only those people that fulfil the legally established requirements may be appointed, as well as being trustworthy and holding the knowledge, prestige and sufficient professional references to undertake the functions of director.

Directors are appointed for a maximum of 4 years, although they may be re-elected.

- Dismissals:

Directors will be removed from their position at the end of their tenure or under any other circumstances in accordance with the appropriate laws. Furthermore, they should relinquish their role as directors in the event of any incompatibility, prohibition, serious sanctions or failure to fulfill their obligations as directors.

- Meetings:

In accordance with Article 42 of the company bylaws, the Board of Directors will meet as deemed necessary given the demands of the company or, as a minimum requirement, three times annually, with the first meeting during the first quarter of the year. During 2012, the Board met a total of 15 times, of which five meetings took place via a meeting by circular resolution, in addition to one meeting between the Board of Directors and senior management.

- Duties of the Directors:

The function of the director is to participate in the direction and control of management of the company for the purposes of and with the aim of maximizing its value for shareholders. Each director operates with the diligence and care of a loyal and dedicated professional, guided by the company's interests, as a representative with complete independence to defend and protect the interests of the shareholders.

By virtue of their appointment, the directors are required to:

- Prepare and be sufficiently and properly informed for each meeting.
- Actively assist and participate in meetings and decisions.
- Avoid conflicts of interest and, in the event that they arise, to report such conflicts to the company through the Board of Directors' Secretary.
- Not to undertake duties for competing entities.
- Not to use company information for personal purposes.
- Not to use the company's business opportunities for their own interest.
- Maintain full confidentiality regarding information received within their role as Director of the company.
- Abstain from voting on proposals that may have an effect on them.

- The Chairman:

The Chairman, in addition to the company bylaws and legal requirements, is the senior-most executive of the company, and as such is effectively responsible for the management of the company, always in accordance with the criteria and decisions of the Board of Directors and the General Shareholders' Meeting. The Chairman is responsible for implementing the decisions made by the company's management bodies, through application of the powers as permanently granted to him by the Board of Directors, which he represents in all aspects. The Chairman also casts the deciding vote in the Board of Directors.

The Chairman is also the Chief Executive Officer. The following measures are in place to prevent an accumulation of power.

Under Article 44 bis of the company bylaws, on 2 December 2002 and 24 February 2003 the Board of Directors agreed to appoint the Audit Committee and the Appointments and Remuneration Committee.

These committees have the powers, which may not be delegated, as per the Law, the company bylaws and internal regulations, acting as regulatory body and supervisory body associate with the matters over which they chair.

Both are chaired by a non-executive independent director and are comprised of a majority of non-executive directors.

- The Secretary:

The Secretary to the Board of Directors undertakes those responsibilities as required by law. Currently the role of Secretary and that of Legal Counsel to the Board is undertaken by the same person, being responsible for the correct calling of meetings and that resolutions are properly implemented by the Board. In particular, he will advise the Board as to the legality of proposed deliberations and decisions and upon compliance with the company's internal corporate governance regulations, making him responsible as guarantor of the legality, both in law and in substance, of the actions of the Board.

The Secretary, as a specialized role, guarantees the legality in law and in substance of the actions of the Board, with the full support of the board to perform their duties with independent judgment and substance. He or she is also responsible for safeguarding the internal rules of corporate governance.

- Resolutions:

Decisions are made by a simple majority of those directors present at the meeting (present or represented) in each meeting, with the exception of legal matters as previously set out.

- Remuneration and other benefits

- Remuneration:

Directors are remunerated in accordance with Article 39 of the company bylaws. Directors' remuneration may consist of a fixed amount as agreed by the General Shareholders' Meeting, and need not be equal for all directors. Additionally they may receive a proportion of retained earnings of the company, of between a maximum of 5 and 10 percent of profits after dividends in the year to which the remuneration relates. Additionally, travel costs are paid for actions related to the Board.

The total remuneration paid during 2012 to the whole of the Board of Directors was €13,887,000 for fixed and variable remuneration concepts (€13,237,000 in 2011) and €169,000 for other concepts (€156,000 in 2011).

Detail of individual remuneration and benefits in 2012 paid to the Board of Directors (in thousands of Euros):

Name	Daily Expenses for Attendance and Other Remun. as Officer	Compensation as Member of Board Committee	Compensation as Officer of Other Group Companies	Compensation for Sr. Mgmt. - Executive Officer Duties	Other Remunerations	Total 2012
Felipe Benjumea Llorente	93	-	-	4,390	-	4,483
Aplidig, S.L. (1)	295	-	-	2,804	-	3,099
Manuel Sánchez Ortega	93	-	-	4,390	-	4,483
Carlos Sebastián Gascón (2)	33	28	-	-	-	61
Mercedes Gracia Díez	160	40	-	-	-	200
Alicia Velarde Valiente	110	40	-	-	-	150
Jose Borrell Fontelles	200	100	-	-	-	300
Ricardo Martínez Rico	107	10	13	-	-	130
Claudi Santiago Ponsa (3)	55	-	-	-	-	55
José Luis Aya Abaurre	110	40	-	-	-	150
José Joaquín Abaurre Llorente	110	40	-	-	-	150
Maria Teresa Benjumea Llorente	78	-	24	-	-	102
Javier Benjumea Llorente	78	-	-	-	220	298
Ignacio Solís Guardiola	78	-	-	-	-	78
Fernando Solís Martínez-Campos	78	-	-	-	-	78
Carlos Sundhein Losada	70	-	-	-	-	70
<b>Total</b>	<b>1,748</b>	<b>298</b>	<b>37</b>	<b>11,584</b>	<b>220</b>	<b>13,887</b>

Note (1): Represented by Mr. José B. Terceiro Lomba

Note (2) To 23.02.12

Note (3) From 24.02.12

Additionally, in 2012 overall remuneration for key management of the company (Senior Management which are not executive directors), including both fixed and variable components, amounted to €13,574,000 (€7,822,000 in 2011).

For more information on the Corporate Governance Report, the appendix of this Management Report contains the complete version which has been subjected to independent verification by our auditors who have issued opinion of reasonable assurance based on the ISAE 3000 standard "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC).

## 11.- Appointments and Remuneration Committee

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

### Composition

The current composition of the Committee is as follows:

- José Borrell Fontelles (from 23.07.12)	Chairman Non-executive independent Board Member
- Mercedes Gracia Diez (to 23.07.12)	Chairperson. Non-executive independent Board Member
- Mercedes Gracia Diez (from 23.07.12)	Member. Non-executive independent Board Member
- Aplicaciones Digitales, S. L. (Represented by D. José B. Terceiro Lomba)	Member. Executive Board Member
- José Luis Aya Abaurre	Member. Non-executive Nominee Board Member
- Alicia Velarde Valiente	Member. Non-executive independent Board Member
- Carlos Sebastián Gascón (to 14.02.12)	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 28 January 2004 through a meeting by circular resolution; the Chairman was however appointed during the Appointments and Remunerations Committee meeting held on 23 July 2012.

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 roles

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

1. Inform the Board of Directors about appointments, re-elections, dismissals and remuneration of the Board and its posts, as well as about the general policy on remuneration and incentives for directors and senior management.
2. Inform the Board of Directors in advance on all proposals it may submit to the General Shareholders' 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 compliance with the conditions that led to the appointment of a board member and the nature or type thereof. This information shall be included in the Annual Report. When filling new vacancies, the Appointments and Remuneration Committee will ensure that the selection procedure contains no implicit bias that may hinder the selection of female Board members and also that women who meet the required profile are included as potential candidates.
3. Prepare an annual report on the activities of the Appointments and Remuneration Committee, to be included in the management report.

### Sessions and convening

To execute the duties listed above, the Appointments and Remuneration Committee shall meet as many times as necessary and at least once every six months. It 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 two meetings during 2012; the most relevant among the issues dealt with on the agenda were the proposals of appointments and renewals of the Board of Directors, as well as the verification that the conditions that were the 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 favorably voted by the majority of the committee members, present or represented. In the event of a tie the Chairman shall have the casting vote.

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

## Committee analysis and proposals

- Follow-up and progress of remuneration of the members of the Board of Directors and the company's senior management.
- Remuneration proposals for members of the Board of Directors and the company's senior management.
- Preparation of the relevant information to be included in the financial statements.
- Proposal to the Board of Directors for the cooptation appointment of board member Mr. Claudio Santiago Ponsa, following the resignation of Mr. Carlos Sebastián Gascón.
- Proposal to the Board of Directors for the re-election of Mrs. Alicia Velarde Valiente as a board member because previous mandates had expired.
- Proposal to the Board of Directors for the approval of the annual report on the Remuneration of Board Members (Remuneration Annual Report).
- Report on the verification that the conditions that were the 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 Senior Executives to the Board of Directors.
- Reports on comparative salaries and market research by independent experts.

## 12.- Further information

To correctly measure and value the business and the results obtained by Abengoa, it is necessary to draw out the business trends from the consolidated figures.

In addition to the accounting information, as provided within the financial accounts and within this management report, Abengoa also publishes an "Annual Report" which sets out the key events of 2012. This report is available in Spanish, English and French. The Annual Report, which is published prior to the Shareholders' Meeting at which the financial statements of 2012 will be approved, includes not only the consolidated accounts of Abengoa, as well as the strategic objectives of the business and the key events of the three Business Units into which Abengoa is structured as of 31 December 2012.

The annual report is available on the company's website at [www.abengoa.com](http://www.abengoa.com).

The requirement to provide the market with information which is useful, truthful, complete, comparable and up-to-date would not be of such value to the user if the means of communicating such information were insufficient, as it would result in such information not being as effective, timely and useful. As such, the Aldama Report, the Financial System Reform Law and the Transparency Law recommend and enforce, in the light of recent technologies, the use of a website by listed companies as an information tool (including historical, qualitative and quantitative data on the company) and a means of disseminating information (on a timely or real-time basis, making such information available to investors).

Abengoa has a website, which was recently renewed and updated, that features far-reaching and comprehensive content, including information and documentation made available to the public and, in particular to shareholders. This website offers periodic information (quarterly and half-yearly) as well as other relevant information and facts upon which it is mandatory that Abengoa report to the CNMV to comply with the rules of the stock exchange. Through this website, it is also possible to request a copy of the Annual Report.

### 13.- Events after the end of the year.

On January 17, 2013, Abengoa, S.A. issued €400 M aggregate principal amount of 6.25% notes due 2019 (the "2019 Convertible Notes"). In summary, the final terms and conditions of the issuance are as follows:

- a) The Notes were issued for four hundred million Euros (€400 M) with maturity set at six (6) years.
- b) The Notes accrue a fixed annual interest of 6.25% payable semiannually.
- c) The Notes are convertible, at the option of noteholders into fully paid class B shares.
- d) In the event that investors decide to exercise their right of conversion, the Company may decide to repay the notes in shares, cash or a combination of cash and shares.
- e) The 2019 Convertible Notes are convertible into fully paid class B shares of the Parent Guarantor credited in the number determined by dividing the aggregate nominal amount of the Notes by the applicable conversion price. The conversion price is three Euros and twenty-seven cents of a Euro (€3.27) for each share B of the Company.

On January 9, 2013, Abengoa entered into certain stock loan agreements with Inversión Corporativa IC, S.A. for a total amount of 11,047,468 Class B shares to facilitate stock borrow liquidity to investors in the 2019 convertible notes.

On January 17, 2013, we used €108.8 M out of the proceeds from the issuance of the 2019 Convertible Notes to repurchase €99.9 M principal amount of our outstanding 2014 Convertible Notes. The remaining proceeds of the 2019 Convertible Notes will be used to repay syndicated bank debt maturing in 2013 and other short-term corporate debt.

On February 5, 2013, Abengoa Finance S.A.U. issued € 250 M ordinary Notes. In summary, the final terms and conditions of the issuance are as follows:

- a) The Notes were issued for two hundred and fifty million Euros (€250 M) with maturity set at five (5) years.
- b) The Notes accrue an annual interest of 8.875% payable semiannually.
- c) The notes are guaranteed jointly by certain subsidiaries of the Group.

Finally, on February 2, 2013, Royal Decree 2/2013 of February 1 on urgent measures related to the electric system and financial sector has been published and ratified by Spanish General Courts on February 14. Among other measures, this Royal Decree establishes an amendment starting in 2013 on the mechanism to update tariffs and premiums received by electricity suppliers in application of its sector regulation and several amendments to Royal Decree 661/2007, of May 25, that regulates electricity production activity under the special regime and under the regime derived from the latter. These measures have meant a significant modification in the regulatory framework applicable to the electricity generation with thermo-solar technology in Spain.

Given that the afore-mentioned measures have been approved and made public after the date of these consolidated financial statements and will be effective in 2013, they correspond to a circumstance occurred in the period 2013 and do not correspond to an evidence or confirmation of conditions that existed prior to the closing of the reporting period 2012. In consequence, under IAS 10 on "Events after the reporting period", its potential impacts should be considered after the closing of the reporting period 2012. In accordance with the analysis performed by the Company on the potential impacts that these measures could have, considering all the evidence available at the date of issuance of these consolidated financial statements, Management has concluded that the analysis carried out do not indicate an impairment in the carrying amount of assets related to thermo-solar electricity generation activity in Spain. As a result, the Company does not expect to have impairment losses nor any default in the financial obligations related to these projects as a consequence of the measures established in Royal Decree 2/2013.

03.1

## Annual corporate governance report

## A. Ownership Structure

### A.1. Complete the following table on the company's stock capital:

Date of Last Modification	Equity Capital (Euros)	Number of Shares	Number of Voting rights
12/26/2012	90,143,938.83	538,062,690	9,014,393,883

Indicate whether there are different types of shares with different rights associated:

Yes.

Class	Number of Shares	Nominal unit	Unit number of voting rights	Different rights
A	85,619,507	1	100	Without different rights
B	452,443,183	0.01	1	See the "Fifth Additional" and "Sixth Additional" Provisions herein.

### 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 the shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Inversión Corporativa, I.C. S.A.	4,704,411,192	568,379,032	58.493
Finarpisa, S.A.	568,379,032	0	6.305

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
Inversión Corporativa, I.C. S.A.	Finarpisa, S.A.	568,379,032	6.305

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

See the seventh additional provision herein.

### 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 board member	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
Felipe Benjumea Llorente	84,667,544	-	0.9392
Aplicaciones Digitales S.L.	96,284,656	-	1.0681
Manuel Sánchez Ortega	21,642,400	-	0.2401
José Joaquín Abaurre Llorente	197,600	-	0.0022
José Luis Aya Abaurre	5,727,904	-	0.0635
Mª Teresa Benjumea Llorente	1,288,560	-	0.0143
Javier Benjumea Llorente	404,352	-	0.0045
José Borrell Fontelles	312,000	-	0.0035
Mercedes Gracia Díez	52,000	-	0.0006
Ricardo Martínez Rico	53,352	-	0.0006
Claudi Santiago Ponsa	20,800	-	0.0002
Ignacio Solís Guardiola	1,768,000	-	0.0196
Fernando Solís Martínez-Campos	5,286,528	3,581,760	0.0984
Carlos Sundheim Losada	4,890,808	-	0.0543
Alicia Velarde Valiente	41,600	-	0.0005

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
Felipe Benjumea Llorente	Ardachon, S.L.	84,667,544	0.939
Fernando Solís Martínez-Campos	Dehesa del Mesto, S.A.	3,581,760	0.040

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

**2.510 %**

Complete the following tables on the company's Board of Directors with rights over company shares:

The board members do not hold rights over company shares.

**A.4. Indicate, as the case may be, any family, commercial, contractual or corporate relations between owners of significant shareholdings, insofar as these are known by the company, unless they bear little relevance or arise from ordinary trading or course of business:**

**Type of relationship**

Societal.

**Brief description:**

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

**Personal or corporate name of related**

Finarpisa, S.A.

Inversión Corporativa, I.C., S.A.

**A.5. Indicate, as the case may be, any commercial, contractual or corporate relations between owners of significant shareholdings on the one hand, and the company and/or its group on the other, unless these bear little relevance or arise from ordinary trading or course of business:**

No evidence or indication of the existence of such.

**A.6. Indicate whether the company was informed of any shareholders' agreements affecting the company pursuant to Article 112 of the Spanish Securities Market Law. If so, provide a brief description and list the shareholders bound by the agreement:**

Yes.

**% of equity capital affected:**

58.493%

## Brief description of pact:

Under the framework of investment agreement signed on November 9, 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, undersigned on October 4, 2011, to regulate the exercise of their respective voting rights in the Abengoa general assemblies 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) the appointment of the candidate proposed to said board to serve as board member designated by investor based on the co-optation procedure envisaged in the Corporations Act; and (b) the proposal to recommend that during the next meeting of the general assembly the Shareholders of Abengoa appoint, as the case may be, a replacement for the board member designated by investor on the Board of Directors.
- (ii) to vote in the corresponding general assembly of shareholders of Abengoa in favour of the appointment of the candidate proposed by Investor to serve as 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.

### Participants of the agreement

Finarpisa, S.A.

Inversión Corporativa, I.C., S.A.

## % of equity capital affected:

58.493%

## Brief description of pact:

On August 27, 2012, Inversión Corporativa, I.C., S.A. and its subsidiary, Finarpisa, S.A., modified the shareholder agreement with the Abengoa shareholder, First Reserve Corporation (reported to this committee accordingly due to the Price-sensitive content (relevant fact) dated November 9, 2011).

The modification entailed adding "if such proposal is submitted by another shareholder or by the Board of Directors, votes should be cast against it" to the following valid obligation: "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".

## Participants of the agreement

Finarpisa, S.A.

Inversión Corporativa, I.C., S.A.

### % of equity capital affected:

55.93%

### Brief description of pact:

On August 27, 2012, Abengoa S.A. entered a shareholder agreement with its top shareholder, Inversión Corporativa, I.C., S.A by virtue of which the latter warrants and undertakes, the following, directly or indirectly, through its subsidiary, Finarpisa S.A.:

- (i) To vote in favour of the agreements regarding points 2nd, 3rd, 4th, 5th, 6th and 7th on the Agenda of the Shareholders' General Assembly held on September 30, 2012, as long as it is first verified that the aforementioned agreements are approved by the majority of the shareholders of another class other than those of Inversión Corporativa;
- (ii) to not exercise its voting rights except up to a maximum of 55.93% in cases in which, as a result of the exercise of the rights of conversion of Class A shares into Class B shares expected to be included in the Corporate Bylaws, the total percentage of the voting rights it holds are seen increased over the company's entire voting rights;
- (iii) that the percentage of the number of shares with voting rights held at all times (whether such shares are Class A or Class B) over the company's total number of shares not be at any time lower than one fourth of the percentage of the voting rights that said shares may allocate to Inversión Corporativa in relation to the company's total number of voting rights (that is, that its voting rights not be higher by more than four times its financial rights); and that, should such be the case, Class A share should be transferred or converted into Class B, in the amount deemed necessary to sustain such proportion.

## Participants of the agreement

Abengoa, S.A.

Inversión Corporativa, I.C., S.A.

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

No.

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

On August 27, 2012, Inversión Corporativa, I.C., S.A. and its subsidiary, Finarpisa, S.A., modified the shareholder agreement with the Abengoa shareholder, First Reserve Corporation (reported to this committee accordingly due to the Price-sensitive content (relevant fact) dated November 9, 2011), in the manner explained at the start of this section.

**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. If so, please identify:**

**Personal or corporate name:**

Inversión Corporativa, I.C, S.A.

**Notes**

Inversión Corporativa, I.C, S.A. is the direct holder of 52.19% of the equity capital of Abengoa, S.A. and an indirect holder of 6.31% through its subsidiary, Finarpisa S.A. Inversión Corporativa, I.C, S.A. is bona fide owner of the 100% shares of Finarpisa S.A.

**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
14,681,667	0	3.39

**Held through:**

Total
0

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

Date of communication	Total nº of direct shares acquired	Total nº of indirect shares acquired	% Total on Capital Stock
12/31/2012	23,659,447	0	9.27

Capital gains/(loses) on treasury stock disposed of over the period - € 13,684,129

## A.9. Provide details of the conditions and timeframes set up by the General Shareholders' Meeting for the Board of Directors to acquire and/or transfer treasury stock.

The Ordinary General Assembly of Shareholders Meeting held on April 1, 2012, authorized 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 a Liquidity Agreement regarding Class A shares with Santander Investment Bolsa, S.V. In replacement of this agreement, on 8th January 2013, pursuant to the conditions set forth in Circular 3/2007, of December 19, of the CNMV, the company signed a liquidity agreement regarding Class A shares.

On 8th November 2012, pursuant to the conditions set forth in Circular 3/2007, of December 19, of the CNMV, the company signed a liquidity agreement regarding Class B shares with Santander Investment Bolsa, S.V.

On December 31, 2012, the balance of treasury stock amounted to 14,681,667. In relation to transactions performed over the year, the number of treasury shares acquired stood at 23,659,447 while treasury shares disposed of amounted to 11,891,215. The net operating result amounted to - €13,684,129.66

## A.10 Indicate, as applicable, any law or Bylaw restrictions imposed on voting rights, as well as 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:

No.

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

0

Indicate whether there are any restrictions included in the company's Bylaws on exercising voting rights:

No.

Maximum percentage of voting rights that a shareholder may exercise by reason of restrictions included in the Bylaws

0

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

No.

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

No.

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

Not applicable.

## B. Structure of the Administration of the company

### B.1 Board of Directors

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

Maximum number of board members	Minimum number of board members
15	3

B.1.2. Complete the following table with the Board Members:

Personal or corporate name of the member	Representative	Seat on the Board	Date of 1st appt.	Date of last appt.	Election procedure
Mr. Felipe Benjumea Llórente		Executive Chairman	06/25/1983	04/05/2009	Voting Rights in Shareholders' Assembly
Aplicaciones Digitales, S.L.	Mr. José B. Tercero Lomba	Executive Vice-chairman	04/15/2007	04/10/2011	Voting Rights in Shareholders' Assembly
Mr. Manuel Sánchez Ortega		Managing Director (CEO)	10/25/2010	04/10/2011	Voting Rights in Shareholders' Assembly
Mr. José Joaquín Abaurre Llórente		Board Member	06/25/1988	04/05/2009	Voting Rights in Shareholders' Assembly
Mr. José Luis Aya Abaurre		Board Member	06/25/1983	04/05/2009	Voting Rights in Shareholders' Assembly
Ms. María Teresa Benjumea Llórente		Board Member	04/15/2007	04/10/2011	Voting Rights in Shareholders' Assembly
Mr. Javier Benjumea Llórente		Board Member	06/25/1983	04/05/2009	Voting Rights in Shareholders' Assembly
Mr. José Borrell Fontelles		Board Member	07/27/2009	04/11/2010	Voting Rights in Shareholders' Assembly
Mr. Mercedes Gracia Diez		Board Member	12/12/2005	04/11/2010	Voting Rights in Shareholders' Assembly
Mr. Ricardo Martínez Rico		Board Member	10/24/2011	04/01/2012	Voting Rights in Shareholders' Assembly
Mr. Claudi Santiago Ponsa		Board Member	02/23/2012	04/01/2012	Voting Rights in Shareholders' Assembly
Mr. Ignacio Solís Guardiola		Board Member	04/15/2007	04/10/2011	Voting Rights in Shareholders' Assembly
Mr. Fernando Solís Martínez-Campos		Board Member	04/15/2007	04/10/2011	Voting Rights in Shareholders' Assembly
Mr. Carlos Sundheim Losada		Board Member	04/15/2007	04/10/2011	Voting Rights in Shareholders' Assembly
Ms. Alicia Velarde Valiente		Board Member	04/06/2008	04/10/2012	Voting Rights in Shareholders' Assembly

Total number of Board members 15

Identify any members who left the Board of Directors over the period:

Personal or corporate name of board member	Condition of member at the time of termination	Termination Date
Mr. Carlos Sebastian Gascón	Independent member	02/23/2012

B.1.3. Complete the following tables on the members and their different conditions:

### Executive board members

Personal or corporate name of board member	Committee that proposed the appointment	Position within the company structure
Mr. Felipe Benjumea Llorente	Appointments and Remunerations Committee	Executive Chairman
Aplicaciones Digitales SL.	Appointments and Remunerations Committee	Executive Vice-chairman
Mr. Manuel Sanchez Ortega	Appointments and Remunerations Committee	Managing Director (CEO)

**Total number of Executive Board members**

**3**

**Total % of Board:**

**20%**

### External Dominion Board Members

Personal or corporate name of board member	Committee that proposed the appointment	Personal or corporate name of the significant shareholder they represent or which proposed their appointment
Mr. José Joaquin 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.
Mr. Javier Benjumea Llorente	Appointments and Remunerations Committee	Inversión Corporativa, I.C., S.A.
Ms. Mª. Teresa Benjumea Llorente	Appointments and Remunerations Committee	Inversión Corporativa, I.C., S.A.
Mr. Claudi Santiago	Appointments and Remunerations Committee	First Reserve Corporation
Mr. Ignacio Solís Guardiola.	Appointments and Remunerations Committee	Inversión Corporativa, I.C., S.A.
Mr. Fernando Solís Martínez-Campos.	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 Dominion Board members**

**8**

**Total % of Board:**

**53.33%**

## External Independent Board members

**Personal or corporate name of board member:** Mr. José Borrell Fontelles

**Profile:** Independent

Mr Borrell Fontelles 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 Masters from Paris' Institut Français du Pétrole. He worked as Engineer for the Spanish Petroleum Company (1972-1981). 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 President of the European Parliament during the first half of the 2004-2009 legislative term and Chairman of the Development Committee during the second.

**Personal or corporate name of board member:** Ms. Mercedes Gracia Diez

**Profile:** Independent

Full Professor in Econometrics at CUNEF (University College for Financial Studies). BA in Economics at Universidad Autónoma de Madrid (1978) and Ph.D in Economics at New York University (1986). She has developed her academic carrier at Universidad Complutense de Madrid (on leave since 2011) and has scientific publications in international journals. She has been Chairperson of the Department of Balance Management in CajaMadrid (1996-1999) and Manager of the area of Economics and Law in the Spanish Commission of Science and Technology (1993-1996).

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

**Profile:** Independent

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 chairman 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 board member:** Ms. Alicia Velarde Valiente

**Profile:** Independent

Born in Madrid on October 28 1964, she studied at ICE Pablo VI from where she graduated with Magna Cum Laude. 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 imparts Master Lectures in the Masters in Canon Law, under the Directorship of Mr. José M<sup>a</sup> Iglesias Altuna.

**Total number of Independent Board members**

4

**Total % of Board:**

26.667

## Other External Board members

None.

**Explain the reasons why these cannot be considered independent or dominion board members and detail their connections with the company, its executives or its shareholders.**

Not applicable.

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

Not applicable.

B.1.4. Explain, as the case may be, the reasons why dominion members were appointed at the request of shareholders with stakes amounting to less than 5% of the stock capital.

**Name or corporate name of shareholder.**

First Reserve Corporation

**Justification**

The Shareholders' General Assembly held, at the second call, on April 1, 2012, whose decisions were reported to this Committee on April 2, 2012, ratified the appointment by the Board of Directors of Abengoa S.A., through co-optation, on February 23, 2012, of Mr. Claudi Santiago Ponsa as Board Member, on the request of First Reserve Corporation, by virtue of the agreement reached with Inversión Corporativa, in the capacity as shareholders of Abengoa, on November 9, 2011, within the investment framework agreement signed between Abengoa and First Reserve Corporation, on October 4, 2011, valid since November 4, 2011, regarding the proposal, appointment, ratification, re-election or replacement of a board member in representation of First Reserve Corporation, reported to this Committee.

**Detail any failure to address formal requests for board representation made by shareholders with stakes equal to or exceeding that of others at whose request dominion members were appointed. If so, explain why the request was not entertained.**

No.

B.1.5. Indicate whether any board member resigned its post before the end of its term of office, whether reasons were given to the Board and how, if in writing to the entire Board. Explain the reasons given as a bare minimum:

Yes.

**Name of board member:** Mr. Carlos Sebastián Gascón

**Reasons for the termination**

On February 23, 2012, due to the increase in other professional occupations, Mr. Carlos Sebastián Gascón submitted his resignation from the Abengoa Board of Directors, from the Appointments and Remunerations Committee and from the Audits Committee, which was accepted by the Abengoa Board of Directors on that same date.

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

**Personal or corporate name of board member:** Aplicaciones Digitales, S.L.

**Brief description:** A general power of Attorney is vested in him.

**Personal or corporate name of board member:** Mr. Felipe Benjumea Llorente

**Brief description:** All the board delegated powers are vested in him.

**Personal or corporate name of board member:** Mr. Manuel Sánchez Ortega

**Brief description:** All the board delegated powers are vested in him.

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

B.1.7. Identify, if applicable, the board members that hold administrator or directive positions in other companies making up the group of companies listed on the stock market:

Personal or corporate name of board member	Corporate name of entity of group	Post
Mr. José B. Terceiro	Bioetanol Galicia, S.A	Chairperson
Ms. María Teresa Benjumea Llorente	Sociedad Inversora en Energía y Medio Ambiente, 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 not belonging to the same business unit and are listed on the Spanish Stock Exchange, of which the company is aware:

Not applicable.

B.1.9. Indicate whether the company has established rules on the number of Boards on which its own Board members may sit.

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 group of companies**

Yes.

**Corporate governance policy**

Yes.

**Corporate social responsibility policy**

Yes.

**Strategic or Business Plan, and the budget and management targets Budget**

Yes.

**The remuneration and performance assessment policy for senior Executives**

Yes.

**Risk control and management policy, and the regular monitoring of internal information and control systems.**

Yes.

**Dividend and treasury stock policies and especially their limits.**

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	2,172
Variable remuneration	9,412
Per diem (allowance)	2,046
Benefits as per Bylaws	-
Share options and/or other financial instruments	-
Other	220
Total:	13,850

Other benefits	Figures in thousands of Euros
Advances	-
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 for posts held on other Boards of Directors and/or within the senior management of other companies of group:**

Type of remuneration	Figures in thousands of Euros
Fixed Remuneration	37
Variable remuneration	-
Per diem (allowance)	-
Benefits as per Bylaws	-
Share options and/or other financial instruments	-
Other	-
Total:	37

Other benefits	Figures in thousands of Euros
Advances	-
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
Executives	12,065	-
External, proprietary	957	24
External independent	828	13
Other external	-	-
Total:	13,850	37

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

Total remuneration to directors (in thousands of Euros)	Total remuneration to directors/profit attributed to the parent company (expressed as %)
13,887	11.11%

B.1.12. Identity any senior management staff that are not also executive board members, and indicate the total remuneration payable thereto during the financial year:

Personal or corporate name:	Post
Javier Salgado Leirado	Director of Bioenergy Business Unit
Javier Molina Montes	Director of Environmental Services Business Unit
Alfonso González Domínguez	Director of Ind. Engineering and Construction Business Group.
Santiago Seage Medela	Director of Solar Energy Business Unit
Carlos Cosin Fernández	Director of Water Business Unit
Miguel Ángel Jiménez-Velasco Mazarío	Secretary General
José Fernando Cerro Redondo	Director of Legal Services
José Marcos Romero	Director of Appointments and Remunerations
José Domínguez Abascal	Assistant General Secretary
Álvaro Polo Guerrero	Director of Human Resources
Luis Fernández Mateo	Director of Organization, Quality and Budgets
Vicente Jorro de Inza	Financial Manager
Juan Carlos Jiménez Lora	Director of Planning and Control
Luis Enrique Pizarro Maqueda	Director of Internal Audits
Enrique Borrajo Lovera	Director of Consolidation
Javier Garoz Neira	Director of Strategy and Corporate Development
Bárbara Sofía Zubiria Furest	Director of Reporting and Head of Investor Relations
Germán Bejarano García	Director of International Institutional Relations
Fernando Martínez Salcedo	Secretary General of Sustainability

**Remuneración total alta dirección (en miles de euros). 13,574**

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:

Number of beneficiaries		
	Board of Directors	General assembly
The governing body that authorises the clauses	No	No

#### Is the General Assembly informed of the clauses?

No.

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:

**The proposal of the top executive of the company, the appointment and possible Termination of the top management, and their compensation clauses.**

Yes.

**Remuneration of board members, including, in the case of executive members, the additional considerations for their executive duties and other contract conditions.**

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 components, (itemised, if possible), of allowances for participation on the Board and its committees and an estimation of the resulting annual fixed remuneration.**

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 those 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.

## **Issues covered in the remuneration policy report**

The 2012 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. Claudi Santiago Ponsa, following the resignation of Mr. Carlos Sebastian Gascón

The proposal on the admission Mr. Ricardo Martínez Rico to the Audits Committee.

The proposal on the admission of Mr. José Borrell Fontelles as Chairman of the Appointments and Remunerations Committee (marking the completion of the number of independent board members joining said committees in light of the termination of Mr. Carlos Sebastian Gascón), following the renouncement of Ms. Mercedes Gracia Díez as its Chairperson, since she is still member of the Appointments and Remunerations Committee.

The proposal on the admission of Ms. Mercedes Gracia Díez as Chairperson of the Audits Committee, which was agreed upon at the meeting of said Committee on May 3, 2012, following the renouncement of Mr. Carlos Sebastian Gascón.

The proposal to the Board of Directors for the approval of the Annual Report on the Policy of Remuneration of Administrators.

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 comparative salaries and market researches by independent experts.

#### **Role played by the Remuneration Committee**

Preparation of the proposal instigated 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 the members of the Board of Directors who also serve as Board of Administration members, executives or employees of companies that hold significant shareholdings in the listed company and/or in entities belonging to its business group:

Personal or corporate name of board member	Corporate name of the shareholder	Post held:
Mr José Joaquin Abaurre Llorente	Inversión Corporativa I.C, S.A.	Member
Mr. José Luis Aya Abaurre	Inversión Corporativa I.C, S.A.	Vice chairman with delegation of joint and several powers
Mr Felipe Benjumea Llorente	Inversión Corporativa, I.C, S.A.	Chairman and delegation of joint and several powers
Mr Javier Benjumea Llorente	Inversión Corporativa I.C, S.A.	Member
Mr Ignacio Solís Guardiola.	Inversión Corporativa I.C, S.A.	Member
Mr Fernando Solís Martínez-Campos	Inversión Corporativa I.C, S.A.	Member

**Provide details, as the case may be, 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. Felipe Benjumea Llorente

**Personal or corporate name of related significant shareholder**

Finarpisa, S.A.

**Description of relationship**

Chairperson of Board.

**B.1.18. Indicate whether any of the rules and regulations of the board were modified during the financial year**

No.

**B.1.19. Indicate the procedures for the appointment, re-election, evaluation 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 Remunerations 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.

The performance of the board members and of the executive board members is evaluated on the proposal of the Appointments Committee through a substantiated report filed to the Board at its meeting of the subsequent first 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.

On December 2, 2002, the Audits Committee was formed and on February 24, 2003, the Appointments and Remunerations Committee was also formed. 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 Audits 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 Audits Committee and of the Appointment and Remunerations Committee, approved by the General Assembly 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 Audits Committee and the Appointments and Remunerations Committee were integrated by non-executive board members (with the exception of the coordinator who is member of the board of directors and of the Audits Committee), majority being independent, in accordance with the stipulations in Law on Financial Systems Reform Measures. 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 Appointments Committee. Upon its creation, the proposal for the appointment of board members became part of its competence, and since then it is the aforementioned committee that has made the proposals to the Board of Directors.

Regarding the procedure for selecting and appointing independent members of the board, the Appointments and Remunerations Committee is the organ responsible for selecting the profiles that best represent the needs of the various interest groups among professionals from various fields of expertise and of national and international acclaimed prestige. The procedure for selecting them is based on meritocracy and on the intent to cover any vacancy with professional profiles and not linked to special interests.

Thus, the Appointments and Remunerations Committee annually assesses procedures to ensure compliance with the conditions met for the appointment of a board member and the character and type assigned thereto, including the information into the annual Corporate Governance Report. The Appointments Committee shall likewise 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. Its functions also include that of informing the Board of Directors on the appointments, re-elections, terminations and remunerations of the Board members and their posts, as well as on the general policy remuneration and for the top management and to first inform the Assembly of all the proposals that the board of directors may formulate for the appointment or termination of board members, even in cases of co-optation, by the Board of Directors itself.

Regarding the above, every year the External Auditors issue a report on the independent verification of the Corporate Governance Annual Report issued by Abengoa S.A., assessing to ensure that its contents are in line with both the stipulations of recommendations of the report issued by the Special Work's group on good governance of listed companies (Uniform Good Governance Code) as well as the modifications enforced by Law 2/2011 of Sustainable Economy of March 4.

#### 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 in all other cases deemed appropriate by the applicable law, the Bylaws or these Regulations.

Board Members are bound to surrender their posts to 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 supposed incompatibilities or prohibitions envisaged by law.
- b) If 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.

Thus, Article 13 (Board Member Termination) of the Board of Director Regulations establishes that:

1. Directors are removed from office when the term for which they were appointed comes to an end, and in all other cases deemed appropriate by the applicable law, the Bylaws or these Regulations.
2. Board Members are bound to surrender their posts to the Board of Directors and to sign, should the Board deem it convenient, the relevant resignation in the following cases:
  1. If they are involved in any of the supposed incompatibilities or prohibitions envisaged by law;
  2. If severely punished by any public authority for infringing upon their obligations as Board Members;
  3. Should the Board itself request it so for having infringed upon their obligations as Board Members;
3. When the period expires or duty is terminated, whatever the reason, said board member may not render any services to any other competing entity for a period of two years, except if the Board of Directors release him/her from this obligation or shortens the 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 taken to limit the risks associated with the concentration of powers in one person:

Yes.

## Measures to limit risks

### Explain the division of functions

In accordance with the provisions of article 44 bis of the Company's Bylaws, on December 2, 2002 and on February 24 2003, the Board of Directors set up the Audits Committee and the Appointments and Remunerations Committee, respectively.

These committees are vested with the necessary non-delegable powers inherent in the responsibilities assigned them by law, the Bylaws and their respective internal regulations, thus rendering as organs of control and supervision of issues within their power.

Both are presided over by an independent, non-executive board member, and are comprised of a majority of independent and non-executive board members.

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

On October 25, the Board of Directors also decided to appoint Mr. Manuel Sanchez Ortega as CEO sharing his executive duties with Mr. Felipe Benjumea Llorente. The existence of three executive board members, according to the above, within an ample majority of independent or external board members results in the effective control over the decisions of the top executive, thus preventing the concentration of power in the top executive, encouraging decision-making and ensuring the best functioning of the company governance.

**Indicate and, as the case may be, explain whether rules were established to empower one of the independent Board members to request the convening of a board meeting, or to include new items in the agenda, in order to coordinate and echo the concerns of external board members and to oversee the assessment by the Board of Directors.**

### Explanation of the Rules and Regulations

The Board of Directors currently consists of fifteen members. The Regulations of the Board of Directors govern the composition, functions and internal organization of the governing body. The company also has an Internal Code of Conduct that bounds the Board of Directors, the senior management and all other employees deemed affected, by virtue of the positions or powers that may be held in matters relating to the Stock Market. The Regulations of the General Assembly of Shareholders governs the formal aspects and the internal system for holding shareholders' meetings. Lastly, the Board of Directors is assisted by its Audits Committee and the Appointments and Remunerations Committee, both of which 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 Rules, available on the company's website, [www.abengoa.es](http://www.abengoa.es) and [www.abengoa.com](http://www.abengoa.com). Since its inception, the Appointments and Remunerations Committee has worked towards analyzing the company's governing bodies' structure and adapting it to corporate governance recommendations, with particular attention to the historic and special configuration of said bodies within Abengoa. In February 2007, based on this analysis, the Committee recommended the creation of the post of coordinating director, and 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, produced in Spain in 2006; and the second, because it was considered that said body had fulfilled the function for which it was originally created and that its coexistence with the corporate bodies could create situations of conflict of competences. 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 Mr. José B. Terceiro was appointed (on behalf of Aplicaciones digitales, S.L.) as coordinating board member, in his capacity as independent. On a final note, in October 2007 the Committee proposed that the Board accepts the resignation of Mr. Javier Benjumea Llorente from his position as Executive 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 entities or companies in which they have an appointed position.

The Committee then decided to revisit the study of the number and characteristics of the Vice-Chairman of the Board of Directors within the current structure of governing bodies.

As a result, the Committee thought it necessary that the powers of the Vice-Chairman of Abengoa be restricted to those conferred under the Spanish Corporations Act as regard the material representation of the company on the one hand, and as balance to the Chairman's functions on the Board of Directors, on the other. On this basis, it considered that the coordinating board member – with the functions assigned thereto by virtue of the decisions taken by the Board of Directors (February 2007) and the General Shareholders' Meeting (April 2007) – was the ideal figure, given the corporate governance recommendations and the company structure, as well as the composition and diversity of its directors. The coordinating board member has already been entrusted with the task of coordinating the concerns and motivations of the other Board members, and empowered to convene Board meetings and to include new items on the agenda. In its role as the visible protector of the interests of the Board members, it holds more of a de facto than of a de jure position on the Board, such that it 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 Vice-Chairman to the Board of Directors. In addition, and within the functions of material representation, the Executive 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.

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 Vice-Chairman of the Board of Directors, with the unanimous consent of the independent board members with regards to retaining its position as coordinating board member in spite of its new appointment as Executive Vice-Chairman. In addition, and within the functions of material representation (conferred through a power of attorney granted by the Board of Directors on July 23, 2007), the Executive Vice-Chairman, together with the Chairman of the Board of Directors, was proposed as joint physical representative of Abengoa, in its capacity as the Chair of the Board of 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 decision?

No.

**Indicate how the decisions of the Board of Directors are taken, stating, at least, the minimum quorum and the types of majorities required to take the decisions:**

**Description of Decision:**

All, except those legally reinforced.

Quorum	%
Half plus one	50.01
Type of majority	%
Simple	50.01

**Description of Decision:**

Delegation of powers

Quorum	%
Half plus one	50.01
Type of majority	%
Two third	66.66

B.1.23. Explain whether there are specific requirements, other than those relating to Board members, to be appointed Chairman.

No.

B.1.24. Indicate whether the Chairman has a deciding vote:

Yes.

Matters on which there is a deciding vote
In the event of ties

B.1.25. Indicate whether the bylaws or board regulations establish any age limit on board members:

No.

Age Limit of Executive Chairman	Age Limit of CEO	Age Limit of Board Member
0	0	0

B.1.26. Indicate whether the bylaws or board regulations establish a limited mandate for independent board members:

No.

Maximum term of office
None

B.1.27. In the event that there are few or no female directors, explain the reasons and the initiatives put in place to remedy the situation.

#### Explanation of the reasons and the initiatives

As at December 31, 2012 there were 3 females among the 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 letters 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 brief descriptions:

None.

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 in writing by any 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, as the case may be, the number of times the Board met without the Chairman in attendance:

Number of board meetings	Number of Board meetings held without the attendance of the Chairman
15 (including 5 written session)	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 Audits Committee	7
Number of meetings of the Appointments and Remunerations Committee	2
Number of meetings of the Appointments Committee	Not applicable
Number of meetings of the Remunerations 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	5
% of non-attendances of the total votes cast during the year	2%

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

Yes.

**Identify, as the case may be, the people who certified the company's individual and consolidated accounts for approval by the Board:**

Name	Post
Mr. Enrique Borrajo Lovera	Director of Consolidation
Mr. Vicente Jorro	Chief Financial Officer

B.1.32. Explain, if applicable, the mechanisms established by the Board of Directors to ensure that the individual and consolidated accounts that it prepares are not presented to the General Assembly of Shareholders with reservations and qualifications in the audit report.

The risk control system, the internal audit services and the Audits Committee to which the others report, have been equipped to act as mechanisms of frequent and regular control and supervision. They prevent, identify and, where appropriate, resolve potential situations which, if not addressed, could give rise to incorrect accountancy treatment. The Audit Committee, it receives regularly of the external auditor the information about the Plan of Audit and the results of his execution and, checks that the high direction bears his recommendations in mind.

B.1.33. Is the secretary to the Board also a board member?

No.

B.1.34. Explain the procedures for the appointment and removal or termination 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 Remunerations Committee, stating ground

Does the Appointments Committee communicate appointments?	Does the Appointments Committee communicate removals or terminations?	Does the plenary session of the Board approve appointments?	Does the plenary session of the Board approve removals or terminations?
Yes	Yes	Yes	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 article 27 of the regulation of the board of directors establishes as function of the audit committee to assure the independence of the external auditor, which includes that one assures the review of the provision of services, the limits to the concentration of the business of the auditor, and in general, other procedure established to assure the independence of the auditors. In relation with the financial analysts and investment banks, the company supports an internal procedure of request of three offers for the contracting of the same ones, in turn the company elaborates a letter of mandate where there are established the precise terms of the contracted work. In what concerns the agencies of qualification we possess the qualification of three current agencies, his corresponding letter of mandate.

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

Yes.

Auditor outgoing	Auditor incoming
PricewaterhouseCoppers, S.L	Deloitte, S.L.

**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 Accts.	Total
Fees for non-audit work (Thousands of Euros)	425	1.825	2.250
Fees for non-audit work/total amount invoiced by the audit firm (%)	73.14%	31.81%	35.61%

B.1.38. Indicate whether the audit report on 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.

No.

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:

	Company	Group Accts.
Number of years uninterrupted	1	1
Nº of years audited by current firm / Nº of years for which the company has been audited (%)	4.55	4.55

B.1.40. Indicate any equities that company Board members hold in capitals of other entities engaged in the same, analogous or complementary type of business as 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.

**Details of the procedure:**

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 decisions are validly taken by 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, thus guaranteeing 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, it holds the full support of the latter to execute its functions with complete independence of criteria and stability, and is responsible for ensuring compliance with the internal regulations on corporate governance. Single-handedly, or through the board members, it channels the external consultancy necessary for the due training of the Board.

The Board of Directors has access to external, legal or technical consultants, 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

"The Members of the Board of Directors shall be empowered, through the Chairperson, to propose to the Board of Directors, by majority, that it engages the services 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 through which board members can obtain the information needed to prepare well in advance of meetings of the governing bodies and, if there is, give details:

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. Claudi Santiago Ponsa received said manual upon his appointment.

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

Yes.

#### Explain the rules

Article 13 of the Board of Directors Regulations: Board members must offer to resign and, if the Board of Directors deems it appropriate, resign under the following circumstances: if they get involved in any of the legally envisaged suppositions of incompatibility or prohibition.

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 claims and of any other claims whatsoever 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 Public Limited Companies Act:

No.

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

Not applicable.

Taked decision	Explication reasoned
None	None

## B.2. Committees of the Board of Directors

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

### a) Audits Committee

Name	Post	Typology
Mr. Mercedes Gracia Díez	Chairperson	Independent
Mr. José Joaquín Abaurre Llórente	Member	Proprietary
Mr. José B. Terceiro	Member	Executive
Mr. Ricardo Martínez Rico	Member	Independent
Ms. Alicia Velarde Valiente	Member	Independent

### b) Appointments and Remunerations Committee

Name	Post	Typology
Mr. José Borrell Fontelles	Chairperson	Independent
Mr. José Luis Aya Abaurre	Member	Proprietary
Mr. José B. Terceiro	Member	Executive
Ms. Mercedes Gracia Díez	Member	Independent
Ms. Alicia Velarde Valiente	Member	Independent

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

**Monitoring the preparation process and the integrity of the financial information on the company and, as the case may be, the group, verifying compliance with legal requirements and the correct application of accounting criteria, and appropriately specifying the scope of consolidation.**

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 function; proposing the selection, appointment, renewal and removal of the head of the internal audit service; proposing the budget for such service; receiving regular information on its activities; and checking to ensure 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 deemed appropriate, anonymously - any possible irregularities they may observe within the company, particularly in the area of finance and accounting.**

Yes.

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

Yes.

**Regularly receiving information on the audit plan and on the implementation results from the external auditor, and ensuring that the senior management takes the 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 companies in the group.**

Yes.

**B.2.3. Describe the rules of the organization and how it functions; also outline the responsibilities of each of the Board Committees.**

#### **Committee name**

Appointments and Remunerations Committee.

#### **Brief description**

In compliance with the requirements set forth in the Financial System Reforms Law, the Appointments and Remunerations Committee is comprised of a majority of non-executive directors. Likewise, in accordance with the provisions in Article 2 of its Internal Regulations, the position of Chairman of the Committee shall be held by a non-executive board member.

#### **Functions**

The powers and duties of the Appointments and Remuneration Committee include the following:

1. Report to the Board of Directors on matters relating to the appointment, reelection, retirement, removal and remuneration of the members of the Board of Directors and the Advisory Board and on general policy relating to remuneration and incentives for the aforesaid members and executive officers.

2. Prepare the proposals that the Board of Directors puts to the General Meeting of Shareholders for the appointment or removal of Directors, including those appointed by the Board of Directors to fill casual vacancies by co-option.
3. Produce an annual report on the activities of the Committee of Appointments and Remuneration, to be included in the Directors' Report
4. Evaluate the skills, knowledge and experience required by the Board; to define the abilities and functions required by candidates to cover vacancies; and to assess the time and dedication required by Board members to fully carry out their functions;
5. Examine and organise the succession of the Chairman and CEO and make proposals to the Board, as appropriate, so that any succession occurs in an orderly and well planned way;
6. Inform the Board of any appointments or resignations of senior managers proposed by the CEO.
7. Inform the Board about gender diversity issues.
8. Propose to the Board of Directors:
  - i) The remuneration policy for directors and senior management;
  - ii) The individual remuneration of the directors and the approval of the contracts that the Company signs with each executive director;
  - iii) The basic conditions of contracts for senior management.
9. Ensure that the remuneration policy established by the Company is followed.
10. Consult with the Chairman or CEO of the Company, especially in relation to issues connected to executive directors and senior management.
11. Analyse applications from any director, when taking potential candidates into consideration to cover director vacancies.

#### Organization and function

The Appointments and Remunerations Committee shall 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 2012 it met on two occasions.

The decisions taken shall be deemed 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 the decisive vote of the Chairman.

#### Committee name

Audits Committee.

#### Brief description

In compliance with the requirements set forth in the good governance regulations and, especially, in the Financial System Reforms Act, the Audits Committee is comprised of a majority of non-executive directors. Likewise, in accordance with the provisions of Article 2 of its Internal Regulations, the office of Chairman of the Committee shall be held by a non-executive director.

## Functions

The powers and duties of the Audit Committee include the following:

1. Prepare the annual accounts and half-yearly and quarterly financial statements that must be submitted to regulatory bodies and market monitoring bodies, making reference to the internal control systems, the control mechanisms to monitor implementation and compliance through internal audit procedures and, where appropriate, the accounting principles applied.
  2. Inform the Board of Directors of any changes in accounting principles, balance sheet risk and off-balance sheet risk.
  3. Report to the General Meeting of Shareholders on questions that fall within its area of competence.
  4. Submit proposals to the Board of Directors for the appointment of external auditors to be approved by the General Meeting of Shareholders.
  5. Supervise internal audit procedures. The Committee shall have 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.
  6. Have full knowledge of the Company's financial information process and internal control systems.
  7. Serve as a channel of communication with the external auditors for information on questions that could jeopardise the independence of the latter and any other matters relating to the audit process.
  8. Summon Directors to meetings of the Committee, at its discretion, to report on such matters as the Audit Committee may determine.
  9. Produce an annual report on the activities of the Audit Committee to be included in the Directors' Report.
- I. In relation to internal control and the information systems:
- a) Supervise the preparation process and the integrity of the financial information relating to the Company and to the Group, as appropriate, ensuring compliance with regulatory requirements, the appropriate scope of consolidation and the correct application of accounting criteria.
  - b) Periodically review the internal control and risk management systems so that the principal risks are appropriately identified, managed and reported.
  - c) Supervise the internal audit function, through full access to it, and monitor and supervise its independence and effectiveness; propose the selection, appointment, re-election and removal of the manager of the internal audit service; propose the budget for this service and set the remuneration for its manager; receive periodic information on its activities and the budget for the service; and verify that senior management takes into account the conclusions and recommendations of its reports.
  - d) Establish and supervise a mechanism that allows employees to confidentially and anonymously, if appropriate, communicate potential irregularities, especially financial and accounting, which they may identify within the Company, proposing the appropriate corrective measures and approvals to the Board of Directors.
  - e) Summon any employee or director of the Company, including appearances without the presence of any other manager.
  - f) The Audit Commission shall notify the Board prior to adopting the corresponding decisions on the following issues:
    - (i) The financial information that the Company must periodically publish, as a listed company. The Commission must ensure that the interim accounts are prepared using the same accounting criteria as the annual accounts, and therefore consider the relevance of a partial review by the external auditor.

- (ii) The creation or acquisition of shareholdings in special purpose vehicles or entities registered in countries or territories considered as tax havens, as well as any other similar transactions or operations that, due to their complexity, could reduce the transparency of the Group.

- (iii) Related operations.

- g) Supervise compliance with the Internal Code of Conduct in relation to the securities market and the policy on the Use of Relevant Information and the rules of corporate governance.

## II. In relation to the external auditor:

- a) The proposals to select, appoint, re-elect and substitute the external auditor, as well as the conditions of its contract, shall be presented by the Board of Directors to the Shareholders' General Meeting.
- b) Receive information about the audit plan and its results from the external auditor on a regular basis and verify that senior management takes its recommendations into account.
- c) Ensure the independence of the external auditor and therefore:
  - (i) That the Company notifies the CNMV of the change of auditor as a significant event and accompanies this disclosure with a statement about the existence of disputes with the outgoing auditor and the content of such disputes, if they exist;
  - (ii) That it ensures that the Company and the auditor comply with the prevailing regulations on the provision of services, other than audit services, the restrictions on the concentration of business with an auditor and, in general, any other regulations established to ensure auditors' independence;
  - (iii) In the case of the resignation of an external auditor, to examine the circumstances that may have caused it.
- d) Support the Group auditor in taking responsibility for the audits of the companies that comprise it.

## Organization and function

The Audits Committee shall meet as often as necessary to perform its functions and at least once every quarter. In 2012 it met on five occasions and two written session.

The Audits Committee shall be deemed validly convened 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 regarding consultancy, consultation and, as the case may be, conferment:

### **Committee name**

Appointments and Remunerations Committee.

### **Brief description**

To Report to the Board of Directors on matters relating to the appointment, reelection, retirement, removal and remuneration of the members of the Board of Directors and the Advisory Board and on general policy relating to remuneration and incentives for the aforesaid members and executive officers, prepare the proposals that the Board of Directors puts to the General Meeting of Shareholders for the appointment or removal of Directors, including those appointed by the Board of Directors to fill casual vacancies by co-option, produce an annual report on the activities of the Committee of Appointments and Remuneration, to be included in the Directors' Report Evaluate the skills, knowledge and experience required by the Board; to define the abilities and functions required by candidates to cover vacancies, and to assess the time and dedication required by Board members to fully carry out their functions, examine and organise the succession of the

Chairman and CEO and make proposals to the Board, as appropriate, so that any succession occurs in an orderly and well planned way, inform the Board of any appointments or resignations of senior managers proposed by the CEO, inform the Board about gender diversity issues, propose to the Board of Directors: i) the remuneration policy for directors and senior management; ii) the individual remuneration of the directors and the approval of the contracts that the Company signs with each executive director; iii) the basic conditions of contracts for senior management, ensure that the remuneration policy established by the Company is followed, consult with the Chairman or CEO of the Company, especially in relation to issues connected to executive directors and senior management, applications from any director, when taking potential candidates into consideration to cover director vacancies.

#### **Committee name**

Audits Committee.

#### **Brief description**

Prepare the annual accounts and half-yearly and quarterly financial statements that must be submitted to regulatory bodies and market monitoring bodies, making reference to the internal control systems, the control mechanisms to monitor implementation and compliance through internal audit procedures and, where appropriate, the accounting principles applied, inform the Board of Directors of any changes in accounting principles, balance sheet risk and off-balance sheet risk, report to the General Meeting of Shareholders on questions that fall within its area of competence. Submit proposals to the Board of Directors for the appointment of external auditors to be approved by the General Meeting of Shareholders, supervise internal audit procedures, the Committee shall have 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, have full knowledge of the Company's financial information process and internal control systems, serve as a channel of communication with the external auditors for information on questions that could jeopardise the independence of the latter and any other matters relating to the audit process, summon Directors to meetings of the Committee, at its discretion, to report on such matters as the Audit Committee may determine, produce an annual report on the activities of the Audit Committee to be included in the Directors' Report.

B.2.5. Indicate whether there are any regulations that govern the Board Committees, references to their availability for consultations, and any amendments that may have been made during the financial year. Also state whether annual reports were voluntarily prepared on the activities of each committee.

#### **Committee name**

Appointments and Remunerations Committee.

#### **Brief description**

The latest amendments of the Appointments and Remunerations Committee Regulations dated October 24, 2011, are available on the company's website and at the CNMV. Each committee issues its own annual report on its activities, which is then published as part of the Annual Report.

#### **Committee name**

Audits Committee.

## Brief description

The latest amendments of the Audits Committee dated October 24, 2011, are available on the company's website and at the CNMV. Each committee issues its own annual report on its activities, which is then 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

Not applicable – there is no Executive Committee.

## C. Linked Transactions

**C.1 Indicate whether the plenary session of the Board reserved the right to approve transactions between the company and its directors, significant shareholders, shareholders represented on the Board, or related parties, upon a favourable report from the Audit or any other Committee entrusted with this task:**

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:**

None.

**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:**

None.

**C.4 Provide details of relevant transactions between the company and other companies belonging to the same group, provided they are not eliminated during the preparation of the consolidated financial statements and are not part of the normal company transactions with regards to its purpose and conditions:**

Not applicable.

**C.5 Pursuant to article 127 ter of the Spanish Public Limited Companies Act, indicate whether the members of the Board of Directors were involved in any conflict of interest during the financial year.**

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 Audits Committee is the body responsible for monitoring and resolving conflicts of interest. Pursuant to the Board of Directors Regulations, the Board member is 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 of the group listed in Spain?

No.

### Identify any subsidiaries listed:

Not applicable.

## D. Risks Control System

### 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 adequate for each type of risk.

The Abengoa Risk Management is structured on three significant bases:

- The Common Management Systems, which serve to mitigate business risks.
- Internal control procedures on the elaboration of financial information designed following the SOX (Sarbanes-Oxley Act) to mitigate risks linked with the reliability of financial information.
- The Universal Risks Model of Abengoa is the methodology for the identification, comprehension and evaluation of the risks that may affect Abengoa. The purpose is to obtain an integral vision of them, designing an efficient system of response that is in line with the business goals and objectives of the company.

These two elements form an integrated system that allows an appropriate risk management and control at all the levels of the organization. This is a live system that undergoes continuous modifications to remain in line with the reality of business.

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

#### I) Business Risks:

Procedures geared towards eliminating business risks are instrumented through what is referred to as "Common Management Systems". The Common Management Systems of Abengoa develop the internal rules that govern Abengoa and its chosen approach to assessing and controlling the risks. They represent a common culture in the business management of Abengoa, in that they permit the sharing of accumulated knowledge and they set the criteria and patterns of action.

The common management systems serve to identify both the risks embedded in the current model as well as the activities of control that mitigate them and drastically reduces the risks inherent in the activity of the Company (business risks), at all possible levels.

The common management systems include some specific procedures that cover any action that may entail a risk for the organization, whether economic or otherwise.

The functional managers must verify and certify compliance with these procedures. This certification is annual and submitted to the Audit Committee in January of the following year.

The goals and objectives of the common management systems can be summarised as follows:

- Identify possible risks, which, though inherent in any business, must be identified, mitigated and monitored
- Optimization of daily management, applying procedures geared towards financial efficiency, reduction of expenses, homogenization and compatibility of information and management systems.
- Promoting the synergy and creation of value of the various Business Units of Abengoa.
- Reinforce the corporate identity.
- Achieving growth through strategic development that seeks innovation and new options on short- and long-term bases.

The systems cover three levels of the whole organization:

- 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 the 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 another year, we are able 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.

This standard 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 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 have been identified and grouped into corporate cycles and cycles that are common to the business units.
- A series of flow charts that provide a visual description of the processes.
- An inventory of the control activities (530 controls, 250 of them being automatic) in each process that ensures attainment of the control objectives.

At Abengoa, we have always viewed this legal requirement as an opportunity for improvement. Far from limiting ourselves to the bare minimum required by law, we have strived to optimize our internal control structures, control procedures and the assessment procedures we apply.

For the purpose of complying with the requirements of section 404 of the SOX Act, Abengoa's internal control structure has been redefined following the "Top-Down" approach based on a risks analysis that entail the initial identification of the significant risks areas and the assessment of the controls that the company holds over them, beginning with those executed at the highest level then down to the operational controls put in place in each case.

Thus, in 2011 the initial stages of the introduction of the SAP GRC Process Control module were concluded. By December 31, 2012, the module had already been implemented in all the significant companies.

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

The 2011 financial year saw the culmination of the implementation of the universal risks model of Abengoa, the methodology for the identification, comprehension and evaluation of risks that may affect Abengoa. The purpose is to maintain an integral vision of them, designing an efficient system of response that is in line with the business goals and objectives of the company.

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.
- Regulatory Risks: regulations, laws and codes of ethics and of conduct.

The risks identified are assessed considering the probability of them actually occurring and their impact on the company.

The 2012 financial year saw the consolidation of Archer eGRC as the tool for calculating and reporting the risks of the various activities and sectors of the company. Since its introduction, effort has been made to ensure the synchronization of the application with other tools of the group for the purpose of getting the processes to become more automatic.

### IV) Risks Factors

The Risks Factors of Abengoa are identified in Schedule 1 of the Securities Registration Document published in the CNMV on July 12, 2012.

#### **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 Infrastructural projects operating under regulated tariffs or extremely long-term licences agreements.
- Incomes derived 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.
- Risk of obtaining reduced net profit derived from assets rotation
- The company has a controlling shareholder.
- 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

## **1.3. Risks derived from internationalization and from country 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.
- 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.
- The activities of the Company may be negatively affected by natural catastrophes, extreme climate conditions, unexpected geological conditions or other physical kinds of conditions, as well as by terrorist acts perpetrated in some of its locations.
- The practices of tax evasion and product alteration on the Brazilian fuel distributions market may distort the market prices.

## 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 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 Corporate Social Responsibility 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.

Likewise, from 2009 onwards, the company put in place a system of environmental sustainability indicators that contributes 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, internal control and 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, of reputation, 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.

Not applicable.

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

Yes.

## If so, outline its functions.

### Name of the committee or body

Audits Committee.

### Description of functions

The powers and duties of the Audit Committee include the following:

- Prepare the annual accounts and half-yearly and quarterly financial statements that must be submitted to regulatory bodies and market monitoring bodies, making reference to the internal control systems, the control mechanisms to monitor implementation and compliance through internal audit procedures and, where appropriate, the accounting principles applied.
- Inform the Board of Directors of any changes in accounting principles, balance sheet risk and off-balance sheet risk.
- Report to the General Meeting of Shareholders on questions that fall within its area of competence.
- Submit proposals to the Board of Directors for the appointment of external auditors to be approved by the General Meeting of Shareholders.
- Supervise internal audit procedures. The Committee shall have 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.
- Have full knowledge of the Company's financial information process and internal control systems.
- Serve as a channel of communication with the external auditors for information on questions that could jeopardise the independence of the latter and any other matters relating to the audit process.
- Summon Directors to meetings of the Committee, at its discretion, to report on such matters as the Audit Committee may determine.
- Produce an annual report on the activities of the Audit Committee to be included in the Directors' Report.

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 analyse 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 operating segments.
- 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 the 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.
- Analysing the procedures, activities and controls that seek to guarantee the reliability of the financial reporting and preventing 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 rules and regulations dictated by the (CNMV) Stock Market Authorities. This fact implies that for the past five financial years Abengoa has been strictly complying with the reference indicators included in the document of the CNMV's "Systems of Internal Control over Financial Reporting".

Since 2007, Abengoa has voluntarily submitted its Internal Control Systems to an external evaluation that concludes with the issuance of an audit opinion under the PCAOB standards, and to audits to ascertain compliance with section 404 of the Sarbanes-Oxley Act (SOX).

### External audit

The auditor of the individual and consolidated annual financial statements of Abengoa, S.A. for the financial year ending December 31, 2012, is Deloitte S.L. which is also the Group's main auditor.

The external auditors issued five reports during the 2012 financial year. They are 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 prepared by KPMG, Auditores, S.L.
- And voluntary verification report on the design of the Risk Management System in accordance with the ISO 31000 Standards and Specifications prepared by Ernst & Young Auditores, S.L.

## E. General Assembly

### E.1. Indicate and explain, if any, the differences existing between the required quorum and that stipulated in the Spanish Public Limited Companies Act (LSA) for convening the General Assembly of Shareholders.

No.

	% of quorum other than that established in Article 102 of the LSA for general matters	% of quorum other than that established in Article 103 of the LSA for special matters
Quorum required for the first call	0	0
Quorum required for the second call	0	0

## E.2. Indicate and explain, if any, the differences existing between the required system and that envisaged in the LSA for taking corporate decisions.

No.

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

Not applicable.

## E.3. List any shareholders' rights with regards to general assemblies other than those established in the LSA.

The right to information, in accordance with applicable regulations; the right to receive Shareholders' Assembly-related documents free of charge; the rights to vote in proportion to shares held, without maximum limit; the right of attendance for all shareholders with at least three hundred seventy-five (375) shares; whether of class A or class B (which grant the holders the right to attend shareholders assemblies, as long there is proof that the shareholding capacity existed before the date of the assembly, accredited through the presentation of the relevant legal attendance card, which shall indicate the number, class and series of shares that bearer holds, plus the number of votes bearer may cast); economic rights (to dividends, as the case may be, and to the distribution of assets); the right of proxy, delegation and grouping and the right of the shareholder to take any legal actions whatsoever. See Additional sixth for the Rights of the Minority Shareholder which was reinforced following the Extraordinary General Assembly of Shareholders Meeting held on September 30, 2012.

## 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, presentations are offered to investors, analysts and to the general market after the Spanish Securities and Exchange Commission has been notified thereof. Said presentations are published on the Company's web page.

In compliance with article 539.2 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 Assembly convocation.
- Requests for the inclusion of 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, as the case may be, 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 Assembly 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' Assemblies are presided over by the Chairman of the Board of Directors.

The Regulations of the General Shareholders' Assembly, as approved at the General Assembly held on June 29, 2003, contain procedures regulating the convening, functioning, exercise of rights and Decision-making at general assemblies, thereby establishing an accurate and binding framework for holding such assemblies.

The General Assembly of Shareholders is generally attended by a Notary Public, who verifies the fulfilment of the requirements necessary to be deemed validly convened and to Resolve and take Decisions, and who takes down the corresponding minutes.

Pursuant to the Bylaws and to the Shareholders General Assembly Regulations, the Board Secretary shall act as secretary at the general assembly meeting) to ensure compliance with the Bylaws and the legal requirements on convening and holding assemblies and on Resolving and taking Decisions.

## **E.6. Indicate the changes, if any, in the Shareholders General Assembly Regulations during the financial year.**

On September 30, 2012, the Extraordinary General Assembly of Shareholders agreed to modify Articles 2, 4, 5, 9, 12 and 14 of the Shareholders General Assembly Operations Regulation for their adaptation to the new texts of Articles 21, 23, 24, 28, 31 and 33 of the Bylaws, which was also modified on said date and entered into the Company Registry of Seville on October 23, 2012. The aforementioned modifications were also entered into said registry.

## E.7. Indique los datos de asistencia en las juntas generales celebradas en el ejercicio al que se refiere el presente informe.

Attendance Data					
Date of General Assembly Meeting	% of physical presence	% of attendance by proxy	% of absentee voting		Total
			Electronic voting	Others	
04-1-2012	56.695%	7.779%	0	0	64.474%

Attendance Data					
Date of General Assembly Meeting	% of physical presence	% of attendance by proxy	% of absentee voting		Total
			Electronic voting	Others	
09-30-2012	57.728%	21.838%	0	0	79.565%

Briefly indicate the decisions taken at the General Assembly of Shareholders' Meetings held in the financial year to which this report refers and the percentage of votes with which each Decision was taken.

The Ordinary General Assembly of Shareholders of Abengoa was held following the second call on April 1, 2012 with the attendance of 58,439,880 shares, amounting to 64.474% of the entire stock capital.

The following Decisions were taken:

**First.** - To examine and, if applicable, approve the Annual Accounts and the Management Report for the 2011 Financial Year, of the Company and of its consolidated group, as well as the management and remuneration of the Board of Directors during said financial year. -In this Decision, a total of 5,843,988,000 valid votes were issued for a total of 58,439,880 shares representing 64.474% of the stock capital, with 5,819,818,900 votes in favour, 4,948,700 against, and 19,220,400 abstentions.

**Second.** - To examine and, if applicable, approve the proposal for applying the result of the 2011 Financial Year. -In this Decision, a total of 5,843,988,000 valid votes were issued for a total of 58,439,880 shares representing 64.474% of the stock capital, with 5,681,303,400 votes in favour, 2,625,600 against, and 160,059,000 abstentions.

**Third.** - To ratify, appoint and re-select, as the case may be, Directors. In Decision Three, Paragraph 1, a total of 5,843,988,000 valid votes were issued for a total of 58,439,880 shares representing 64.474% of the stock capital, with 5,822,946,700 votes in favour, 20,930,000 against, and 111,300 abstentions. In Decision Three, Paragraph 2, a total of 5,843,988,000 valid votes were issued for a total of 58,439,880 shares representing 64.474% of the stock capital, with 5,822,921,400 votes in favour, 20,955,300 against, and 111,300 abstentions.-In Decision Three, Paragraph 3, a total of 5,843,988,000 valid votes were issued for a total of 58,439,880 shares representing 64.474% of the stock capital, with 5,590,762,100 votes in favour, 253,114,600 against, and 111,300 abstentions.

**Fourth.** - To re-select or appoint, as the case may be, accounts Auditor for the Company and its consolidated group. -In this Decision, a total of 5,843,988,000 valid votes were issued for a total of 58,439,880 shares representing 64.474% of the stock capital, with 5,834,491,500 votes in favour, 9,412,000 against, and 84,500 abstentions.

**Fifth.** - Modification of the Shareholders General assembly Regulations (adaptation to Act 25/2011) In Decision Five, a total of 5,843,988,000 valid votes were issued for a total of 58,439,880 shares representing 64.474% of the stock capital, with 5,843,988,000 votes in favour, 0 against and 0 abstentions.

**Sixth.** - Special Report issued on the Administrators Remuneration Policy and submitted for consultation to the General Assembly of Shareholders. In Decision Six, a total of 5,843,988,000 valid votes were issued for a total of 58,439,880 shares representing 64.474% of the stock capital, with 5,567,391,400 votes in favour, 276,596,600 against, and 0 abstentions.

**Seventh.** - Conferment of the power upon the Board of Directors to increase the stock capital by issuing new shares of any of the A and/or B and/or C Classes, pursuant to Article 297.1 b), adhering to the legal specifications, with the specific power to impose the exclusion of pre-emptive right in conformity with the stipulations of Article 506 of the Corporations Act, voiding the amount that remained from previous empowerments granted by the General Assembly. Empowerment of the Board of Directors and each of its members to set forth the conditions of the capital increase, to take all the actions deemed necessary for the execution thereof, to re-write the relevant articles of the Bylaws to adapt to the new amount of the stock capital and to grant as many notarised as well as private documents as may be deemed necessary to ensure the increase. To apply to the national and foreign authorities requesting admission for the new shares to trade on any stock market. In Decision Seven, a total of 5,843,988,000 valid votes were issued for a total of 58,439,880 shares representing 64.474% of the stock capital, with 5,560,571,000 votes in favour, 283,416,600 against, and 400 abstentions.

**Eight.** - Conferment of power upon the Board of Directors to issue fixed or variable bonds and securities of that nature, simple or guaranteed, convertible and non-convertible, with the specific power to impose the exclusion of pre-emptive rights in conformity with the stipulations of Article 511 of the Corporations Act, directly or through Companies in the Group, in accordance with the laws in vigour, and voiding the amounts that remained from previous empowerments granted by the General Assembly. In Decision Eight, a total of 5,843,988,000 valid votes were issued for a total of 58,439,880 shares representing 64.474% of the stock capital, with 5,568,786,700 votes in favour, 244,132,600 against, and 31,068,700 abstentions.

**Ninth.** - Conferment of power upon the Board of Directors for the derivative acquisition of equity shares, directly or through companies of the group, in conformity with the laws in vigour, voiding all previous authorizations granted by the General Assembly for the same purposes. In Decision Nine, a total of 5,843,988,000 valid votes were issued for a total of 58,439,880 shares representing 64.474% of the stock capital, with 5,596,874,600 votes in favour, 228,495,400 against, and 18,618,000 abstentions.

**Tenth.** - Conferment of power upon the Board of Directors for the interpretation, rectification, execution, formalization and inscription of the Decisions. In Decision Ten, a total of 5,843,988,000 valid votes were issued for a total of 58,439,880 shares representing 64.474% of the stock capital, with 5,843,748,000 votes in favour, 240,000 against, and 0 abstentions.

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**The meeting of the Extraordinary General Assembly of Shareholders of Abengoa was held following the second call on September 30, 2012 with the attendance of 89,090,315 shares, amounting to 79.565% of the entire stock capital.**

Pursuant to the Bylaws of Abengoa, S.A. and to Article 293 of the Corporations Act, the approval of the decisions outlined under points Third to Seventh of the Agenda required, in addition to voting by all the shareholders present and represented in the General Assembly, the separate voting of the Class A and the Class B shareholders. At the same time, the Class A shareholders voted points Fifth and Sixth of the Agenda with the participation of the shareholders present and represented with the exception of the shareholders of Inversión Corporativa IC, S.A. and its subsidiary, Finarpisa S.A. who declared that they may only vote in favour of the proposals of the

Board of Directors in the separate voting of the Class A shareholders if it is verified that the majority of the rest of the attending shareholders vote in favour of the proposals submitted by the Board of Directors. The proposals of the decisions under points Third to Seventh on the Agenda are closely inter-related and such that said decisions could only be approved and be effective if the preceding decisions are approved. This system of separate voting (of which we informed the CNMV on October 1, 2012) was used to approve all the decisions proposed. Said decisions are as follows:

**First.** -In conformity with Article 319 of the Company Registry Regulations and the General Guidelines for the issuance of Bonds, the conferment of power upon the Board of Directors to issue Bonds and other Fixed-Income Securities, or warrants that may be converted into Class B shares, once or on several occasions, for a period of one (1) year, for the maximum amount of one thousand million (€1,000M) Euros, notwithstanding the conferment of powers approved by the general assembly on April 1, 2012. The conferment of power to outline the criteria for determining the bases and modalities of the conversion, exchange or exercise of the faculty to increase the stock capital in the amount deemed necessary to meet the corresponding requests for conversion or exercise, specifically granting the Board the power to exclude the pre-emptive subscription rights of shareholders, in accordance with Article 511 of the Corporations Act and all other applicable rules and regulations.

**Second.** - Ensuring that the Class A and the Class B shares and the convertible Bonds that the Company issued or my issue are admitted to trade on the Stock Exchange of Madrid and Barcelona, as well as on the Stock Exchange markets in the US. Conferment of power upon the Board of Directors of the Company to do everything necessary for that purpose, including any action, making any declaration and processing any documents before the competent authorities, to ensure that the shares or bonds, represented by ADS, as the case may be, are admitted to trade.

**Third.** - Modifications of Articles 21, 23, 24, 28, 31 and 33 of the Bylaws to pave the way for the exercise of certain rights of the shareholders based on the number of shares a shareholder may hold.

3.1. Modification of Article 21 of the Bylaws to reflect that to be permitted to attend the meetings of the general assembly of shareholders, a shareholder must possess three hundred and seventy-five (375) shares, regardless of whether they are Class A or Class B shares or a combination of both.

3.2. Modification of Article 23 of the Bylaws such that shareholders may be entitled to request the publication of a supplement to the convening of an ordinary general assembly of shareholders including one or more points to the agenda to submit decision proposals on issues already included or that should be included in the agenda of the convened assembly on the basis of the number of shares possessed.

3.3. Modification of Article 24 of the Bylaws such the that following may be permitted: (i) that based on the number of shares possessed, shareholders with one percent of the shares with voting rights may request the presence of a Notary Public to take the minutes of the general assembly; (ii) that shareholders with five percent of the shares with voting rights may request that a general assembly be summoned to decide on a social responsibility action to be brought against the administrators or to take a social responsibility action without the general assembly agreement or against it.

3.4. Modification of Article 28 of the Bylaws such that the Board of Directors of the Company may be permitted to convene a General Assembly of Shareholders upon the request of shareholders representing five percent of the company's shares with voting rights.

3.5. Modification of Article 31 of the Bylaws such that the Board of Directors of the company may be permitted to decide on the postponement of the general assembly of shareholders upon the request of shareholders representing five percent of the company's shares with voting rights.

3.6. Modification of Article 33 of the Bylaws such that the Board of Directors of the company may be permitted to suspend the right to information as envisaged in Article 197 of the Corporations Act upon the request of shareholders representing less than twenty-five percent of the company's shares with voting rights.

**Fourth.** - Modification of Article 8 of the Bylaws for the purpose of anticipating the possibility of increasing the capital stock using the reserves through the issuance of a single class of shares; and for establishing a percentage limit on the rights of redemption of the class B shares.

**Fifth.** - Increase of the capital stock through the issuance of class B shares using the voluntary reserves. Approval of the balance that may serve as basis of the increase.

**Sixth.** - Stipulation of a right to voluntarily convert class A shares into class B shares, for that purpose the following decisions shall be submitted to vote:

6.1. Addition of a new sub-section 3 to the first section, "Class A Shares", of Article 8 of the Bylaws (such that the current sub-section 3, still with the same wording, unchanged, would now be sub-section 4) in order to introduce a right to voluntarily convert Class A Shares into Class B Shares.

6.2. Reduction of the stock capital by reducing the nominal value of a given number to be specified of class A shares by €0.99 per share, by setting up a non-distributable reserve in accordance with the provisions in Article 335 c) LSC, with the integration of the shares that suffer such nominal value reduction by virtue of their transformation into class B shares, listing the class B shares on the Stock Market and conferring the necessary powers for their execution, all of the above for the purpose of permitting the exercise of the right to voluntarily convert class A shares into class B shares.

**Seventh.** - Modification of Articles 2, 4, 5, 9, 12 and 14 of the Regulations of Procedures and Operations of the General Assembly of Shareholders for adaptation to the re-written Articles 21, 23, 24, 28, 31 and 33 of the Bylaws which shall be submitted for approval to the General Assembly as the third point on the Agenda.

7.1. Modification of Articles 2 of the Regulations of Procedures and Operations of the General Assembly of Shareholders for adaptation to the re-written Article 21 of the Bylaws proposed to the General Assembly as point 3.1 on the Agenda.

7.2. Modification of Article 4 of the Regulations of Procedures and Operations of the General Assembly of Shareholders for adaptation to the re-written Articles 23 of the Bylaws proposed to the General Assembly as point 3.2 on the Agenda.

7.3. Modification of Article 5 of the Regulations of Procedures and Operations of the General Assembly of Shareholders for adaptation to the re-written Articles 24 of the Bylaws proposed to the General Assembly as point 3.3 on the Agenda.

7.4. Modification of Article 9 of the Regulations of Procedures and Operations of the General Assembly of Shareholders for adaptation to the re-written Articles 28 of the Bylaws proposed to the General Assembly as point 3.4 on the Agenda.

7.5. Modification of Article 12 of the Regulations of Procedures and Operations of the General Assembly of Shareholders for adaptation to the re-written Articles 31 of the Bylaws proposed to the General Assembly as point 3.5 on the Agenda.

7.6. Modification of Article 14 of the Regulations of Procedures and Operations of the General Assembly of Shareholders for adaptation to the re-written Articles 33 of the Bylaws proposed to the General Assembly as point 3.6 on the Agenda.

**Eighth.** - Conferment of power upon the members of the Board of Directors to interpret, rectify, execute, formalize and register the decisions taken and agreed upon.

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

Number of shares necessary for attendance to the General Assembly

375

## 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 conferment of power to the exercise the right to vote.

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

No.

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

The Company's Website is regularly updated in both Spanish and in English. The address is [www.abengoa.es](http://www.abengoa.es) and [www.abengoa.com](http://www.abengoa.com)

Said page contains the Decisions taken at the last General Assembly meeting held on April 1, 2012 and on September 30, 2012, regarding the Extraordinary General Assembly of Shareholders. It also included the whole text issued to convene the meeting, the agenda and the decisions that were submitted for the approval of the Assembly.

For convening subsequent assemblies, the Company shall 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, the rights to vote or to confer power via the Internet shall remain intact following the established regulations and specified techniques, and with the protection of the legal certainty required.

In compliance with the stipulations of the Corporations Act, an electronic forum has been set up which shareholders may enter in connection with the Assembly.

## 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. In the event of failure to comply with any of them, explain the alternative recommendations, regulations, practices or criteria that the company applies.

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

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

Compliant.

- 2. When a parent and a subsidiary company are listed, both should provide detailed disclosure on:**

- a) Their respective types of activities, and any business dealings between them, including between the listed subsidiary and other companies in the group;
- b) The mechanisms in place to resolve possible conflicts of interest.

See sections: C.4 and C.7

Compliant.

- 3. That even when not specifically required under Commercial Law, all decisions involving fundamental corporate restructuring, especially the following, are submitted to the General Assembly of Shareholders for approval or ratification:**

- a) The transformation of listed companies into holdings through subsidiarisation, or the reallocation of previous core activities of such listed company to its subsidiaries, even if the latter retains full control of the former;
- b) Any acquisition or transfer of key operating assets that would effectively alter the company's corporate purpose;
- c) Operations that effectively amount to the company's liquidation.

Partially compliant.

The company has not voluntarily incorporated this regulation into its internal rules (Bylaws) but, in practice, this fact is not an impediment to compliance with said Recommendation.

- 4. That the proposals outlined in the decisions to be taken at the General Assembly of Shareholders, including the information stated in recommendation 28, be made available at the same time the meeting is convened.**

Compliant.

- 5. That the General Assembly of Shareholders be allowed to vote separately on substantially independent issues such that said shareholders are able to exercise separate voting preferences. And that said rule particularly apply to the following:**

- a) The appointment or ratification of directors, with separate voting on each candidate;
- b) The modification of Bylaws, with votes taken on all materially different articles or groups of articles.

See section: E.8

Compliant.

**6. That companies allow split votes such that financial intermediaries acting as nominees on behalf of different clients can issue their votes following the instructions given by such clients.**

See section: E.4

Compliant.

**7. That the board of directors perform its duties with unity of purpose and criteria independence, giving the same treatment to all the shareholders, allowing itself to be guided only by the company's interests, which means striving to maximise its economic value in a sustainable manner. And that it also ensures that the company abides by the laws and regulations in its dealings with stakeholders; performing its obligations and contracts in good faith; respecting the customs and good practices of the sectors and territories in which it operates; and upholding any additional social responsibility principles to which it may have voluntarily subscribed.**

Compliant.

**8. That the core components of the board's mission be to approve the company's strategy and the required organization for its execution, ensuring that management meets the objectives set while pursuing the company's interests and corporate purpose. And that, for that purpose, the plenary board reserves the right to approve the following:**

- 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) Senior staff performance remuneration and evaluation policy;
  - vii) Risk control and management policy, and the regular monitoring of internal information and control systems.
  - viii) Dividend and treasury stock policies and especially their limits.

See sections: B.1.10. B.1.13. B.1.14 y 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) Remuneration of board members, including, in the case of executive members, the additional considerations for their executive duties and other contract conditions.**

See section: B.1.14

- iii) The financial information that all listed companies must periodically disclose.**
- iv) All kinds of investments or operations deemed strategic due to their huge amount or special characteristics, except if they require the approval of the General Assembly of Shareholders;**
- v) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and any other comparable transactions or operations with complexities that might impair the transparency of the group.**

- c) Transactions which the company conducts with board members, significant shareholders, shareholders with board representation or with other associated persons ("associate transactions").

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

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

It is advisable that the Board approves associate transactions only if the audit committee issues a favourable report or, if applicable, any other committee assigned to that function; and that the board members involved may neither exercise nor delegate their voting rights, and should be excused from the meeting while the board deliberates and votes.

Ideally the above 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 plenary session of the Board of Directors.

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 dominion and independent board members should occupy an ample majority of board places, while the number of executive board members should be the minimum necessary bearing in mind the complexity of the corporate group and the percentage of ownership the executive board members hold in the equity.**

See sections: A.2. A.3. B.1.3 y B.1.14

Compliant.

**11. In the event that an external board member may not be considered dominion or independent, the company should disclose such circumstance and the links, be it with the company or with its executives, or its shareholders.**

See section: B.1.3

Not applicable.

**12. That among the external boards members, the relation between dominion and independents members should match the proportion between the capital represented on the board by dominion board members and the rest of the company's capital.**

This strict proportional criterion can be relaxed so the weight of dominion board members is greater than would correspond to the total percentage of capital represented:

**1st. In companies with huge capital where few or no equity stakes attain the legal threshold of significant shareholdings, but where there may be shareholders with considerable sums actually invested.**

**2nd. 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

Partially compliant.

#### Explain

Abengoa has increased the number of dominion board members by virtue of the agreement reached on October 4, 2011, with Inversión Corporativa, in the capacity as shareholders of Abengoa, within the framework of the investment agreement signed between Abengoa and First Reserve Corporation, effective on November 4, 2011.

On the proposal of First Reserve Corporation, by virtue of the agreement reached with Inversión Corporativa, in their capacity as shareholders of Abengoa, on November 9, 2011, Claudio Santiago Ponsa was appointed board member of Abengoa, within the framework of the Investment Agreement signed between Abengoa and First Reserve Corporation, mentioned above, regarding the proposal, appointment, ratification, re-election or replacement of a board member representing First Reserve Corporation, notifying this Committee.

**13. That the number of independent members represent at least one third of all board members.**

See section: B.1.3

#### Explain

Contrary to what the company has come realizing till now, expiring with the recommendations of good corporate government, the number of independent board members has been diminished below the third of the total of members due to Mr. Claudio Santiago Ponsa's appointment as dominion board member by virtue of the agreement reached with Inversión Corporativa, I.C. S.A., as shareholders of Abengoa, of date November 9, 2011 and Mr. Carlos Sebastian Gascón's resignation as independent board member.

**14. That the condition of each board member be explained at the General Assembly of Shareholders, which shall appoint or ratify its appointment, with confirmation or, if applicable, review in the Annual Corporate Governance Report, before verification by the appointments committee. And that said report also gives the reasons for the appointment of the dominion members at the urging of shareholders with less than 5% of capital, explaining any rejections of formal requests for a place on the Board of Directors issued by shareholders with capital equal to or greater than that of others whose requests for dominion members may have been accepted.**

See sections : B.1.3 y B.1.4

Compliant.

**15. That in the event that female board members are few or non-existent, the Board gives the reasons for this situation and the correction measures implemented; in particular, the Appointments Committee takes the necessary steps to ensure that:**

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

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

Compliant.

**16. That the Chairman, as the person responsible for the proper operation of the board, ensures that members are supplied with sufficient information in advance of board meetings, and secures a good level of debate and active involvement of all members, safeguarding their rights to freely express opinions and take stands, organising and coordinating regular evaluations of the board and, if appropriate, the company's chief executive, along with the chairmen of the relevant board committees.**

Compliant.

**17. That when the board chairperson is also the company's chief executive, an independent board member is empowered to convene board meetings or to include new items on the agenda; to coordinate and voice concerns of external board members; and to lead the board's evaluation of its chairperson.**

See section: B.1.21

## Explain

The Board of Directors currently comprises of fifteen members. The Board of Directors Regulations govern the composition, functions and internal organization of the governing body. The company also has an Internal Code of Conduct that bounds the Board of Directors, the senior management and all other employees deemed affected, by virtue of the positions or powers that may be held in matters relating to the Stock Market. The General Assembly of Shareholders Regulations of Procedures and Operations govern the formal aspects and the internal system for conducting shareholders' meetings. Lastly, the Board of Directors is assisted by its Audits Committee and the Appointments and Remunerations Committee, both of which 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 Rules, available on the company's website, [www.abengoa.es](http://www.abengoa.es) and [www.abengoa.com](http://www.abengoa.com). Since its inception, the Appointments and Remunerations Committee has worked towards analysing the structure of the company's governing bodies and adapting it to corporate governance recommendations, with particular attention to the historic and special configuration of said bodies within Abengoa. In February 2007, based on this analysis, the Committee recommended the creation of the post of coordinating director, and 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 made in Spain in 2006; the second, because it was deemed that said Advisory Committee had already performed the duty 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 Assembly of Shareholders on April 15 of the same year, appointing Mr. José B. Terceiro in representation of Aplicaciones Digitales S.L., as coordinating board member, in its capacity then as independent.

On a final note, in October 2007 the Committee proposed that the Board accepts the resignation of Mr. Javier Benjumea Llorente from his position as Executive Vice-Chairman, subsequently revoking the powers entailed therein, and accepts the appointment of a new natural person to represent Abengoa and the Focus-Abengoa Foundation in entities or companies in which they have an appointed position.

The Committee then decided to revisit the study of the number and characteristics of the Executive Vice-Chairman of the Board of Directors within the current structure of governing bodies.

As a result, the Committee thought it necessary that the powers of the Executive Vice-Chairman of Abengoa should be restricted to those conferred under the Spanish Corporations Act as regard the material representation of the company, on the one hand, and the balance to the Chairman's functions on the Board of Directors, on the other. Thus, it was considered that the coordinating board member – with the functions assigned thereto by the decisions taken by the Board of Directors (February 2007) and the General Assembly of Shareholder (April 2007) – was the ideal figure, given the corporate governance recommendations and the company structure, as well as the composition and diversity of its directors. The coordinating board member has already been entrusted with the task of coordinating the concerns and motivations of the other Board members, and empowered to convene Board meetings and to include new items on the agenda. In its role as the visible protector of the interests of the Board members, it holds more of a de facto than of a de jure position on the Board, such that it seemed appropriate to confirm and expand this representation by making the post both institutional and organic.

In view of the above, the Committee proposed Aplicaciones Digitales, S.L. (Aplidig, represented by Mr José B. Terceiro Lomba), the current coordinating director, as the new Executive Vice-Chairman to the Board of Directors. In addition, and within the functions of material representation, the executive 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.

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 vice-chairman of the Board of Directors, with the unanimous consent of independent board members in relation to continuing in his position as coordinator in spite of the change in his capacity as executive board member.

In addition, and within the functions of material representation (conferred thereof by virtue power of attorney granted by the Board of Directors on July 23, 2007), the Executive Vice-Chairman, together with the Chairman of the Board of Directors, was proposed as joint physical representative of Abengoa, in its capacity as the Chair of the Board of 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) Are in conformity with the company Bylaws and the Regulations of the Assembly, the Board of Directors and all others to which the company may have subscribed
- c) Complies with the recommendations on good governance set forth in the Unified Code that the company may have accepted. And that in order to safeguard the independence, impartiality and professionalism of the Secretary, its appointment and termination should be proposed by the Appointments Committee and approved by the plenary session of the Board of Directors; and that said appointment and termination procedure be included in the Regulations of the Board of Directors.

See section: B.1.34

Compliant.

## **19. The board should meet as frequently as may deemed necessary to properly perform its functions, following a calendar and a program scheduled at the beginning of the year, to which each director may propose the addition of other items.**

See section: B.1.29

Compliant.

**20. The absences of board members should be reduced to the bare minimum and quantified in the Annual Corporate Governance Report. If board members have no choice but to confer their voting powers, such conferment should be with instructions.**

See sections: B.1.28 and B.1.30

Compliant.

**21. If a board members or the secretary expresses concerns about a proposal or, in the case of a board member, about the company's performance, and such concerns are not resolved at the Board meeting, the person expressing the concerns may request that such concerns be recorded in the minute book.**

Compliant.

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

**The quality and efficiency of the board's operation;**

- a) The level of performance of the chairman and chief executive of the company based on the report the Appointments Committee may submit;**
- b) The performance of its committees on the basis of the reports they provide.**

See section: B.1.19

Compliant.

**23. All board members should be able to exercise their rights to obtain any additional information they may 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 board members should be entitled to call on the company for the required advice and guidance necessary for the performance of their duties. The company should provide the 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 programmes 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 insist that their board members devote sufficient time and effort to perform their duties effectively, and, as such:**

- a) Board members should apprise the Appointments Committee of any other professional obligations that could possibly interfere with the necessary dedication;
- b) Companies should establish rules about the number of boards on which their board members can sit.

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 Remunerations Committee is kept duly informed of the professional duties of Board members, as well as their potential needs with regard to any information they may need for successful performance. 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 board member.

**27. The proposal for the appointment or renewal of board members submitted to the general assembly of shareholders, as well as provisional appointments by co-optation should be approved by the board:**

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

See section: B.1.2

Compliant.

**28. Companies should post the following information on the board members on their websites, and keep them permanently updated:**

- a) Professional experience and background;
- b) Other Board of Directors on which the board member sits, whether listed company or not;
- c) Indicate the category of the board member, pointing out, in the case of dominion members, which shareholder they represent or to whom they are linked.
- d) The date of their first and subsequent appointments as a members of company's board of directors, and;
- e) Shares held in the company and any options on the same.

Compliant.

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

See section: B.1.2

Compliant.

**30. Proprietary board members 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 entitlement to dominion board membership, 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 board members 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, a just cause shall be understood to exist if a board member 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 board members to report of and, as the case may be, to resign in any circumstance that might damage the company's name or reputation and, in particular, obliging them to inform the Board of Directors of all criminal cases in which they may be named as accused and the progress of any subsequent trials.**

The moment a director is indicted or tried for any of the crimes stated in Article 124 of the Spanish Companies Act, 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 board members should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independent and other board members unaffected by the possible conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.**

In the event that the board takes significant or reiterated decisions about which a board member may have expressed serious reservations, said board member may draw the pertinent conclusions and, should it decide to resign, it should explain the reasons in the letter referred to in the next recommendation. The terms of this recommendation also applies to the Board Secretary although not officially a board member.

Compliant.

**34.** Board members 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 reason must be explained in the annual corporate governance report.

See section: B.1.5

Compliant.

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

- a) The amount of the fixed components, itemised where necessary, of board and board committee attendance allowance, with an estimate of the fixed annual payment resulting thereof;
- b) Variable components, in particular:
  - i) The types of board members 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, based on the 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 equivalent annual cost.
- d) The conditions to apply to the contracts of executive board members exercising senior management functions, among them:
  - i) Duration;
  - ii) Notice periods; and
  - iii) Any other clauses covering hiring bonuses, as well as compensations or 'golden parachutes' in the event of early termination of the contractual relation between company and executive board member.

See section: B.1.15

Compliant.

**36.** That executive board members are granted remunerations comprising of the delivery of shares of the company or of other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of pension schemes.

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

See sections: A.3 and B.1.3

Compliant.

**37. The remuneration of external board members should sufficiently compensate 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. As a separate item on the agenda, the Board should submit a report on the board member's remuneration policy to the General Assembly of Shareholders for voting. Said report can be made available to shareholders either separately or in any other manner that each company deems fit.**

Said report shall 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 subsequent years. It shall address all the points referred to in recommendation 35, except those potentially entailing the disclosure of commercially sensitive information. Special attention shall be paid to the most significant changes of such policies on what is applied during the past financial year that the General Assembly may refer to. It shall also include an overall summary of the application of the remunerations policy in the last financial year.

The Board of Directors should also report on the role of the Remunerations Committee in preparing the policy and, if external consultancy was employed, the identity of said external consultants.

See section: B.1.16

Compliant.

**41. The Notes should list the individual yearly remunerations for board members, including:**

- a) A breakdown of remunerations for each company board member, including, where appropriate:
  - i) Participation and attendance allowance and other fixed board member 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) Pension plan contributions paid on behalf of board member, or any increase in the vested rights of board member in the case of contributions to defined-benefit plans;
  - v) Any severance packages agreed upon or paid;

- vi) Any compensation received as board members of other companies in the group;
- vii) Remunerations of executive board members 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 if it may be accounted as related-party transaction or if its omission would detract from a true and fair view of the total remuneration received by the board member.
- b) An individual breakdown of possible deliveries of shares, share options or other share-based instruments to board members, itemised by:
  - i) Number of shares or options awarded in the year, and the terms set for their execution;
    - Number of options exercised in the year, specifying the number of shares involved and the exercise price;
  - ii) Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;
  - iii) Any change in the year in the exercise terms of previously awarded options.
  - iv) Information on the relation, in the year, between the remuneration obtained by executive board members and the company's profits, or some other measure of enterprise results.

Compliant.

**42. In the event that the company has an Executive Committee, the structure of participation of the different categories of members should be similar to that of the Board itself and its secretary should be the same as that of the Board of Directors.**

See sections: B.2.1 and B.2.6

Not Applicable.

**43. The board should always be granted first-hand knowledge of issues dealt with and decisions taken by the Executive Committee and each board member should receive a copy of the minutes of the executive committee.**

Not Applicable.

**44. In addition to the Audits Committee required by the Securities Market Act, the Board of Directors should also create a committee, or two separate committees, for appointments and remunerations.**

The rules governing the composition and operation of the audit committee and the appointments and remunerations committee or committees should be set forth in the Board Regulations, and should include:

- a) The Board of Directors should designate the members to these committees, considering the knowledge, talent and experience of board members and the tasks of each Committee;
- b) Deliberate on their proposals and reports; and during the first plenary of the Board of Directors following their meetings, they should give account of their activities and answer for work done;
- c) These committees should have a minimum of three members, exclusively of external board membership. The above notwithstanding, executive board members or senior officers may also attend meetings, for information purposes, at the committees' invitation.

- d) Committees should be chaired by an independent board member.
- e) External consultants may be engaged if deemed necessary for the performance of their duties.
- f) Minutes should be recorded of their meetings and copies of such sent to all board members.

See sections: B.2.1 and B.2.3

Partially compliant.

Except for section b) above, all requirements are duly met. we refer to Recommendation 54 with regards to the presence of an Executive Board member on the Appointments and Remunerations Committee. Regarding such presence on the Audits Committee, in addition to the explanation provided in point B.1.21 above (independent director appointed coordinating director and subsequently appointed vice-chairman, who shall remain coordinating director following the unanimous consent of the remaining independent directors to such effect), we would add that their seat on the Audits Committee is due to (their knowledge and experience in accounting and auditing) 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 supervision of compliance with the internal codes of conduct and corporate governance regulations should be entrusted to the Audits Committee, Appointments Committee or, if separately existing, Compliance or Corporate Governance committees.**

Compliant.

**46. All members of the audit committee, particularly its chairman, should be appointed bearing in mind their knowledge and background in Accounting, Auditing and Risk Management.**

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 plan to the Audits 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, reputation...) to which the company may be exposed, including those of financial or economic, contingent liabilities and other off-balance-sheet risks;
- b) The determination of the risk level deemed acceptable to the company;
- c) Measures in place to mitigate the impact of risk events should they occur;
- d) The internal reporting and control systems to be used to control and manage the aforementioned risks, including contingent liabilities and off-balance-sheet risks.

See sections: D

Compliant.

## 50. The audit committee's role should be:

### 1st 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 risks management, so that the main risks are identified, managed and properly disclosed.
- c) Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, re-election and removal of the head of internal audit; propose the department's budget; receive regular feedbacks on its activities; and verify that senior management is acting on the findings and recommendations of the reports.
- d) Establish and supervise a mechanism whereby staff can confidentially and, if necessary, anonymously report any irregularities detected in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the company.

### 2nd With regards to the external auditor:

- a) To submit proposals to the Board for the selection, appointment, re-election and removal of the external auditor, including the terms and conditions of its engagement.
- b) To be regularly informed by the external auditor on the progress and findings of the audit plan and to ensure that senior management act on its recommendations.
- c) To make sure the external auditor remains independent and, for that purpose:
  - i) The company should notify the CNMV of any change of auditor as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
  - 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 comparable nature which, due to their complexity, might impair the transparency of the group.
- c) Associate 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 Assembly of Shareholders without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audits Committee and the auditors should clearly inform the shareholders on the scope and content.

See section: B.1.38

Compliant.

54. The majority of the members of the Appointments –or Appointments and Remunerations Committee if only one exists– should be independent board members.

See section: B.2.1

Compliant.

55. In addition to the functions listed in the preceding recommendations, the Appointments Committee should be responsible for the following:

- a) Evaluating the necessary abilities, knowledge and experience on the Board, consequently defining the roles and capabilities required of the candidates to fill each vacancy, and deciding on the time and dedication necessary for them to properly perform their duties.
- b) Appropriately examining or organizing the succession of the chairman and chief executive and, where necessary, making recommendations to the Board for said succession to proceed in a planned and orderly manner.
- c) Reporting on the appointments and removals of senior staff proposed by the chief executive to the board.
- d) Reporting to the board on the gender diversity issues discussed in recommendation 14 of this code.

See section: B.2.3

Compliant.

**56. The Appointments Committee should hold consultations with the company's chairman and chief executive, especially on matters relating to executive board members.**

**Any board member may suggest candidates to the Appointments Committee for it to consider for filling out vacancies on the board of directors.**

Compliant.

**57. In addition to the functions listed in the preceding recommendations, the Remunerations Committee should be responsible for the following:**

- a) Making the following proposals to the Board of Directors:**
  - i) The remuneration policy for board members and senior officers;
  - ii) The remuneration and other contractual conditions of individuals of the executive board members;
  - 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 Remunerations Committee should hold consultations with the chairman and chief executive, especially on matters relating to executive board members 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 above sections of the report, to the extent that these are deemed relevant and not reiterative.

### **First Addition:**

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

#### **Remuneration of Board of Directors - 2012**

**(Amount in thousands of Euros)**

Name	Per diem and other remunerations as board member
Felipe Benjumea Llorente	93
Aplidig SL (1)	295
Manuel Sánchez Ortega	93
Carlos Sebastián Gascón (2)	33
Mercedes Gracia Díez	160
Alicia Velarde Valiente	110
Jose Borrell Fontelles	200
Ricardo Martínez Rico	107
Claudi Santiago Ponsa (3)	55
José Luis Aya Abaurre	110
José Joaquín Abaurre Llorente	110
Maria Teresa Benjumea Llorente	78
Javier Benjumea Llorente	78
Ignacio Solís Guardiola	78
Fernando Solís Martínez-Campos	78
Carlos Sundhein Losada	70
<b>Total</b>	<b>1,748</b>

Name	Remuneration as Board of Directors Committee members
Carlos Sebastián Gascón (2)	28
Mercedes Gracia Díez	40
Alicia Velarde Valiente	40
Jose Borrell Fontelles	100
Ricardo Martínez Rico	10
José Luis Aya Abaurre	40
José Joaquín Abaurre Llorente	40
<b>Total</b>	<b>298</b>

Name	Remuneration as member of Board of other companies of the group
Ricardo Martínez Rico	13
Maria Teresa Benjumea Llorente	24
<b>Total</b>	<b>37</b>

#### Remun. for executive senior management duties

	Salaries	Variable remuneration to p/a
Felipe Benjumea Llorente	1,086	3,304
Aplidig, S.L. (1)	-	2,804
Manuel Sánchez Ortega	1,086	3,304
<b>Total</b>	<b>2,172</b>	<b>9,412</b>

Name	Other remuneration
Javier Benjumea Llorente	220
Name	Total Remuneration
Felipe Benjumea Llorente	4,483
Aplidig SL (1)	3,099
Manuel Sánchez Ortega	4,483
Carlos Sebastián Gascón (2)	61
Mercedes Gracia Díez	200
Alicia Velarde Valiente	150
Jose Borrell Fontelles	300
Ricardo Martínez Rico	130
Claudi Santiago Ponsa (3)	55
José Luis Aya Abaurre	150
José Joaquín Abaurre Llorente	150
Maria Teresa Benjumea Llorente	102
Javier Benjumea Llorente	298
Ignacio Solís Guardiola	78
Fernando Solís Martínez-Campos	78
Carlos Sundhein Losada	70
<b>Total</b>	<b>13,887</b>

(1) Represented by José B. Terceiro Lomba

(2) Until 02/23/12

(3) From 02/24/12

#### Second Addition:

International Advisory Committee

Abengoa created and International Advisory Board (IAB) on May 24, 2010, 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 the latter'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.

On February 27, 2012 the Board of Directors accepted the resignation of Mr. Alberto Aza Arias as member of the International Advisory Board, due to the incompatibility triggered by his appointment as Permanent Member of the State Council; Mr. Jerson Kelman and Ms. Pampush Bhat at the end of two years two years; and Mr. Carlos Sebastián Gascón was admitted to said International Advisory Board based on his professional experience and on the criteria set forth in the Board of Directors' regulations that govern the international advisory board.

Its current composition is as follows:

<b>José Borell Fontelles</b>	<b>Chairperson</b>
Kemal Dervis	Member
Mario Molina	Member
Nicholas Stern	Member
Ricardo Hausmann	Member
Bill Richardson	Member
Lord Douro	Member
Álvaro Fernández - Villaverde y Silva	Member
Carlos Sebastian Gascón	Member

### Third Addition

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.es](http://www.abengoa.es) and [www.abengoa.com](http://www.abengoa.com)

## Fourth Addition

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 to the Audits Committee possible irregularities concerning accounting, auditing or internal controls over financial reporting. 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 Addition

Article 8 of the Bylaws of Abengoa regulates the different rights of its classes A and B shares. The Extraordinary General Assembly of Shareholders Meeting held after the second call on September 30, 2012, agreed to change Article 8 of the Bylaws of Abengoa in order to include a mechanism of voluntary conversion of Class A shares into Class B. Below is a reproduction of the sub-section of the aforementioned of Article 8 that refers to the right of voluntary conversion:

" [...] A.3) Rights of conversion of shares into class B

Form now on until December 31, 2017, the holder of each class A share is and shall be entitled to the right to convert it into a class B share.

Each holder may exercise such right of conversion by remitting a notice to the company or better still, as the case may be, the agency appointed for that purpose, through the relevant participant company of the Spanish Central Depository For Registration, Clearance and Settlement of Securities (Iberclear S.A.U), using any means by which a receipt shall be issued upon delivery. Said notice, which shall be understood as firmly issued, irrevocable and unconditional, shall state the total number of Class A shares held and the exact number of Class A shares for which the exercise of the right of conversion is intended, in order for the Company to process the necessary agreements for effecting the aforementioned conversion and to issue the subsequent report of the corresponding relevant fact to the CNMV (Spanish Stock Exchange Board).

The aforementioned notice shall be accompanied by the corresponding certificate of legitimacy of the ownership of the Class A shares issued by a company that is a participant of and in the systems managed by Iberclear, or by an intermediary or financial entity depository or manager of the shares under the terms of the provisions of the rules and regulations governing the representation of securities by book entries or by any other means of equivalent accreditation that the Company may deem sufficiently valid for that purpose.

The exercise of the right of conversion by the Class A shares holder shall be deemed a reduction of the Company's stock capital in the amount of the difference between the nominal value of the Class A shares over those for which the right is exercised and the nominal value of the same number of Class B shares, the amount by which the non-distributable reserve shall accrue and, which, for the purpose of and in accordance with the provisions of Article 335.c) of the Corporations Act, would already have be in the possession of the Company.

It shall remain the responsibility of the Board of Directors, with the specific power of substitution of the Executive Chairman or the Chief Executive Officer, to determine the period, frequency and procedure for exercising the rights of conversion, including, as the case may be, the judgement of adequacy over the means of aforementioned equivalent accreditation, as well as any other aspects deemed necessary for the correct exercise of such right, all of which shall be reported by issuing the corresponding relevant fact. [...]"

## Sixth Addition

Reinforcement to guarantee the rights of the minority

In its efforts to reinforce the rights of the minority, Abengoa has submitted a series of bylaw modifications to the Extraordinary General Assembly of Shareholders aimed at guaranteeing that the so-called "Rights of Defence of the Minority" are not trampled upon simply because there are two different classes of shares with different nominal values and because the lesser nominal value of the Class B shares makes it rather difficult to obtain the percentage of the stock capital required for the exercise of some political rights. It is for this reason that the Assembly approved the modification of the Bylaws of Abengoa in the manner set forth below so as to ensure that all of such rights are exercised using the number of shares, not the stock capital, as the basis of the percentage. These rights, for example, the right to convene a general assembly or to request the exercise of corporate liability action, requires the holding of a specific percentage (in the cases referred to, of 5%) of the stock capital, at the nominal value.

Particularly, the Extraordinary General Assembly of shareholders agreed to modify the Bylaws in order to reflect the following: that a shareholder should only require three hundred and seventy-five (375) shares or more, whether class A or class B, to be permitted to attend the meeting of the general assembly of shareholders of the company; that shareholders should be able to request the publication of supplement to the call for an ordinary general assembly of shareholders, include one or more points on the Agenda and to present decision proposals on issues already or that should be included on the agenda of the convened assembly base on the number of shares held by the shareholder; that (i) shareholders who own one percent of the shares with voting rights may request the presence of a Notary Public to take the minutes of the general assembly based on the number of shares held by the shareholders, (ii) shareholders who own five percent of the shares with voting rights may request the convening of a general assembly to decide on the corporate liability action against the administrators or to exercise the corporate liability action without or against the agreement of the general assembly; that the Board of Directors of the company may convene a general assembly of shareholders if so requested by shareholders representing five percent of the shares of the company with voting rights; that the Board of Director of the company may decide on the postponement of the general assembly of shareholders if so requested by shareholders of five percent of the shares of the company with voting rights and that the Executive Chairman of the Board of Directors of the company may suspend the right to information as envisaged in Article 197 of the Corporations Act if so requested by shareholders with less than twenty-five percent of the shares of the company with voting rights.

## Seventh Addition

The meeting of the Extraordinary General assembly of Shareholders of Abengoa held following the second call on September 30, 2012, approved an increase of the equity capital, charging it to the reserves, by issuing a single class B shares, for the nominal amount of €4,304,501.52 through the issuance of 430,450,152 class B shares charged to the voluntary reserves at a proportion of four (4) newly issued class B shares for each share in circulation, class A or class B. For the purpose of increasing the aforementioned capital, four class B shares were assigned gratis to Abengoa shareholders holding at least one of the company's class A share or class B share in circulation. At the same time, the company applied for admission to trade all the newly issued class B shares on the stock market, was listed and admitted to officially trade on the stock markets of Madrid and Barcelona and on the Continuous Market of the Spanish Stock Exchange Interconnection System (SIBE) on October 25, 2012. This operation guaranteed a specific minimum level of cash flow in the class A and, on the other hand, it ensured a sufficient volume of liquidity of the class B shares as a means for optimizing the capture of capital resources at the least possible cost, which is the ultimate goal intended. Thus, the Extraordinary General Assembly of Shareholders approved the right to voluntarily convert class A shares into class B shares. Said right shall expire on December 31, 2017.

Within this section, you may include any other information, clarification or detail related to the above sections of the report, to the extent that these are deemed relevant and not reiterative.

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.

List any Independent Board Members who maintain or have previously maintained a relationship with the company, its significant shareholders or managers, in the event that significance or importance thereof would dictate that the board members in question may not be 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:

02/21/2012

**Indicate whether Board Members voted against or abstained from voting for or against the approval of this Report.**

No.

03.2

**Annual report from the appointments  
and remunerations committee**

## Appointments and remunerations committee annual report

### Introduction

Pursuant to Article 28 of the regulations governing the board of directors, the appointments and remunerations committee was created by the board of directors of Abengoa, S. A. on 24th February 2003, for the purpose of incorporating the recommendations regarding the appointments and remunerations committee into the Financial Systems Reform Law 44/2002. Said board of directors also approved its Internal Systems Regulations.

### Composition

The current composition of the committee is as follows:

▪ <b>José Borrell Fontelles</b> (From 07.23.12)	Chairperson. Non-executive independent
▪ <b>Mercedes Gracia Diez</b> (Until 07.23.12)	Chairperson. Non-executive independent
▪ <b>Mercedes Gracia Diez</b> (From 07.23.12)	Member. Non-executive independent
▪ <b>Aplicaciones Digitales, S. L.</b> (Rep: José B. Terceiro Lomba)	Member. Executive
▪ <b>José Luis Aya Abaurre</b>	Member. Non-executive Proprietary
▪ <b>Alicia Velarde Valiente</b>	Member. Non-executive independent
▪ <b>Carlos Sebastián Gascón</b> (Until 02.14.12)	Member. Non-executive independent
▪ <b>José Marcos Romero</b>	Secretary. Non-Board Member

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 23rd July 2012.

Consequently, the appointments and remunerations committee is presently comprised of one executive and four non-executive board members, in compliance with the requirements set forth in the Financial System Reforms Law. 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:

1. 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.
2. To inform the board of directors beforehand on all proposals it may submit to the general shareholders 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.
3. 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 two meetings during the 2012 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. Claudi Santiago Ponsa, following the resignation of Mr. Carlos Sebastián Gascón.
- Proposal to the board of directors to re-elect Ms. Alicia Velarde Valiente as board member following the expiration of her previous tenure.

- Proposal to the board of directors for the approval of the annual report on the remuneration of board members (RAR: remunerations annual report).
- 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.

## Annual report on the remuneration of board members (RAR)

2012 Financial year

### Company background

This 2012 financial year board members' remuneration policy report 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.

Absolutely subject to the principles of transparency and information, this report entails Abengoa SA's remuneration policy for the members of its board of directors, clearly distinguishing between the salaries of the company's top management executive board members and the salaries of its 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 duties.
- Remuneration for holding executive board member posts and for performing executive duties is aimed at ensuring:
  - (i) The competitive nature of the overall remuneration package and its structure in comparison with the international sector; and at ensuring compatibility with the standard of our leadership vocation;
  - (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 remuneration of board members, adjusted to comply with the legal provisions (specifically, articles 217 and following) of the Corporations Act, the Bylaws (article 39) and the Regulations governing 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 shareholders 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 the EAT (Earnings After Tax) scheme; it may also include rewards for memberships to board of directors committees and, as the case may be, for chairmanship.

- **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 the statutory benefits and per diems (allowances) 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 and commensurate with the leadership position that Abengoa holds. 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)**

The 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 board of directors for the 2012 financial year

The table below shows a detail of the total remuneration of the board members, for the 2012 financial year:

Name	Type	Salaries	Variable remuneration at p/a	Per diem (allowance)	Remuneration for serving on committees	Remuneration of board of directors of other company group	Other Items	2012 Total	2011 Total
Felipe Benjumea Llorente	Executive	1,086	3,304	93	-	-	-	4,483	4,483
Aplidig, S.L. (1)	Executive	-	2,804	295	-	-	-	3,099	2,984
Manuel Sánchez Ortega	Executive	1,086	3,304	93	-	-	-	4,483	3,703
Carlos Sebastián Gascón (2)	Independent	-	-	33	28	-	-	61	283
Daniel Villalba Vilá	Independent	-	-	-	-	-	-	-	181
Mercedes Gracia Díez	Independent	-	-	160	40	-	-	200	188
Alicia Velarde Valiente	Independent	-	-	110	40	-	-	150	176
Jose Borrell Fontelles	Independent	-	-	200	100	-	-	300	300
Ricardo Martínez Rico	Independent	-	-	107	10	13	-	130	40
Claudi Santiago Ponsa (3)	Proprietary	-	-	55	-	-	-	55	-
José Luis Aya Abaurre	Proprietary	-	-	110	40	-	-	150	154
José Joaquín Abaurre Llorente	Proprietary	-	-	110	40	-	-	150	154
Maria Teresa Benjumea Llorente	Dominical	-	-	78	-	24	-	102	102
Javier Benjumea Llorente	Dominical	-	-	78	-	-	220	298	255
Ignacio Solís Guardiola	Dominical	-	-	78	-	-	-	78	78
Fernando Solís Martínez-Campos	Dominical	-	-	78	-	-	-	78	78
Carlos Sundhein Losada	Dominical	-	-	70	-	-	-	70	78
		<b>2,172</b>	<b>9,412</b>	<b>1,748</b>	<b>298</b>	<b>37</b>	<b>220</b>	<b>13,887</b>	<b>13,237</b>

Note:

(1) Represented by José B. Terceiro Lomba

(2) Until 02/23/2012

(3) From 02/24/2012

In the exercise of the duties conferred thereupon, the appointments and remunerations committee 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.

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

As regards the ongoing financial year, the variable portion of the remuneration for executive board members shall be determined 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 2013 financial year remuneration policy in line with that of the preceding financial year.

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 21st February 2013, on the proposal of the appointments and remunerations committee.