

As a consequence of the on-market condition commercial operations, fulfilled in light of the above and arising out of the ordinary business, or as a consequence of the financing operations, the resulting balances appear on the balance sheets of the affiliate companies, though they are eliminated in the annual accounts consolidation process.

#### **e. Risk Control Systems.**

Abengoa's risk control structure is based on two foundations: the common management systems and the internal audit services, whose definitions, objectives, characteristics and functions are described below.

##### **i) Common Management Systems**

###### Definition

Abengoa's Common Management Systems develop the internal rules of the company and its methodology for evaluating and controlling risks and represent a common culture for managing Abengoa's businesses, sharing the accumulated knowledge and setting criteria and operational standards.

###### Objectives

- To identify possible risks that, although associated with all business, must be minimized, upon being aware of them.
- To optimize day-by-day management, applying procedures designed for financial efficiency, cost reduction, and information and management systems homogenization and compatibility.
- To foment the synergy and the creation of value for the different Business Groups of Abengoa, working in a collaborative atmosphere.
- To reinforce the corporate identity, respecting the shared values of all the companies within Abengoa.
- To grow through strategic development seeking innovation and new options for the medium and long terms.

The systems cover the whole organization at three levels:

- all Business Groups and areas of activity;
- all levels of responsibility;
- all types of operations.

In a group such as Abengoa, with 480 companies, a presence in over 70 countries and more than 20 000 employees, it is essential to define a common system for managing the business that allows work to be done in an efficient, coordinated and consistent way.

In 2004 Abengoa started an alignment project of its Risk Management model with the conceptual framework established by the Sarbanes-Oxley Act (SOX), with the aim of furthering the continuous enhancement of its control processes.

Despite only one of the business groups of Abengoa – Information Technologies – is currently required to comply with SOX, the aim has been for the whole group to be part of this project.

The process of adapting the internal control over financial reporting to the requirements set out by the SOX Act has been completed in 2007.

## **ii) Internal Audit**

### Definition

The function of Abengoa's internal audit is structured around the Joint Audit Services that encompass the audit teams of the companies, business groups and corporate services that act in a coordinated way and which are responsible to the Audit Committee of the Board of Directors.

### General Objectives

- To anticipate the audit risks of the group's companies, projects and activities, such as frauds, financial damages, inefficient operations and risks that may affect the healthy operation of business in general.
- To control the application of, and promote the development of adequate and efficient management rules and procedures in accordance with the common Corporate Management Systems.
- To create value for Abengoa, promoting the construction of synergies and the monitoring of optimal management practices.
- To coordinate the criteria and the focus of the external auditors' work, seeking the best efficiency and profitability of both functions.

### Specific Objectives

- To evaluate the audit risk of Abengoa's companies and projects in accordance with an objective procedure.
- To define various types of standard audit and internal control tasks in order to develop the corresponding Work Plans with the appropriate scope for each situation. This classification, which is linked to the Audit Risk

Assessment, determines the Work Plans to be used and implies a type of appropriate recommendation and report and should therefore be used explicitly in these documents.

- To steer and coordinate the planning process for audit work and internal control in the companies and business groups, to define a notification procedure for these tasks and communication with the affected parties and to establish a method of coding these tasks for their adequate control and monitoring.
- To define the communication process of each audit job's results, the people that are affected and the format of the documents in which they appear.
- To review the application of the plans, the adequate implementation and supervision of the tasks, the timely distribution of the results and the monitoring of the recommendations and their corresponding implementation.

### The Audit Committee

Pursuant to Article 47 of Law 44/2002 of December 22, of the Financial System Reform Measures, Abengoa's Board of Directors appointed an Audit Committee whose functions include the "supervision of the internal audit services" and the "understanding of the financial reporting process and the company's internal control systems".

The Corporate Internal Audit manager reports systematically to this committee in relation to his own responsibilities of:

- the Annual Internal Audit Plan and its degree of completion;
- the level of implementation of the issued recommendations;
- a sufficient description of the principle areas reviewed and the most significant conclusions;
- other more detailed explanations that the Audit Committee may require.

There are Audit Committees in other group companies to which the Internal Audit manager of the corresponding Business Group reports.